

**CITY OF MARINE CITY**  
St. Clair County, Michigan  
**AUDITED FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2007

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF MARINE CITY	County ST CLAIR
Fiscal Year End 6/30/07	Opinion Date 10/22/07	Date Audit Report Submitted to State 11/11/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

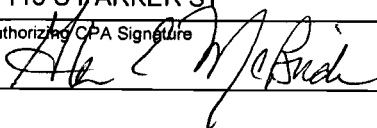
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 LETTER, DEFICIT REDUCTION PLAN	
Certified Public Accountant (Firm Name) MCBRIDE, MANLEY & MILLER PC		Telephone Number 810-765-4700	
Street Address 1115 S PARKER ST		City MARINE CITY	State MI
Authorizing CPA Signature 		Printed Name Glen E. McBride	Zip 48039
		License Number 1101008018	

# CITY OF MARINE CITY

## TABLE OF CONTENTS

	<i>Page</i>
<b>Management's Discussion and Analysis</b>	i - iv
<b>Independent Auditors' Report</b>	1-2
<b>Basic Financial Statements</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	3
Statement of Activities	4
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds	
Balance Sheet with the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Governmental Funds	7
Reconciliation of the Governmental Funds	
Statement of Revenues, Expenditures, and	
Changes in Fund Balances with the Statement	
of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Change	
in Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Statement of Fiduciary Net Assets	12
Statement of Changes in Fiduciary Net Assets -	
Fiduciary Funds	13
General Fund - Statement of Revenues, Expenditures,	
and Change in Fund Balance - Budget (GAAP Basis)	
and Actual	14
Major Street Fund - Statement of Revenues,	
Expenditures, and Change in Fund Balance -	
Budget (GAAP Basis) and Actual	15
Local Street Fund - Statement of Revenues,	
Expenditures, and Change in Fund Balance -	
Budget (GAAP Basis) and Actual	16
<b>Notes to Financial Statements</b>	17-35
<b>Supplemental Information</b>	
Pension Trust Fund	36-37
<i>Non-Major Governmental Funds:</i>	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures, and	
Changes in Fund Balances	39



## CITY OF MARINE CITY

### TABLE OF CONTENTS (Continued)

	<i>Page</i>
<b>Supplemental Schedules</b>	
<i>Other Governmental Funds:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	40-41
<i>Component Units:</i>	
Schedule of Revenues and Expenditures- Budget and Actual	42
<i>General Fund:</i>	
Schedule of Revenues and Other Financing Sources	43
Schedule of Expenditures and Other Financing Uses	44-50
<i>Water and Sewer Fund:</i>	
Schedule of Expenses and Other Financing Uses	51-54
Schedule of Indebtedness	55-59
Schedule of Indebtedness - Component Units	60



# CITY OF MARINE CITY

## Management's Discussion and Analysis

June 30, 2007

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

### The City as a Whole

The City combined net assets increased 7.2% from a year ago from \$8.687 million to \$9.310 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$960,000 during the year (79% increase). This was the result of increases in Debt Service Fund Net Assets and Major & Local Street Net Assets. The business-type activities experienced a \$336,000 decrease in net assets, primarily as a result of depreciation of \$598,000. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 3,052	\$ 2,675	\$ 644	\$ 859	\$ 3,669	\$ 3,518
Noncurrent Assets	2,956	2,979	10,398	10,204	13,355	13,183
Total Assets	6,008	5,654	11,042	11,063	17,024	16,701
Long-Term Debt Outstanding	2,949	3,435	3,646	2,983	6,595	6,418
Other Liabilities	881	1,001	264	612	1,119	1,596
Total Liabilities	3,830	4,436	3,910	3,595	7,714	8,014
Net Assets						
Invested in Capital Assets - Net of Debt	(444)	(976)	6,788	7,225	6,344	6,249
Restricted	1,441	10	14	14	1,455	25
Unrestricted	1,181	2,184	330	229	1,511	2,413
Total Net Assets	\$ 2,178	\$ 1,218	\$ 7,132	\$ 7,468	\$ 9,310	\$ 8,687

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, decreased by \$1,003,000 for the governmental activities. This represents a decrease of approximately 46%. The current level of unrestricted net assets for our governmental activities stands at \$1.181 million, or about 36% of expenditures. This is within the targeted range set by the City during its last budget process.

# CITY OF MARINE CITY

## Management's Discussion and Analysis

June 30, 2007

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 781	\$ 848	\$ 1,513	\$ 1,295	\$ 2,294	\$ 2,143
Operating Grants and Contributions	324	305	--	--	324	305
General Revenues						
Property Taxes	2,192	2,153	--	--	2,192	2,153
State-Shared Revenues	590	510	--	--	590	510
Unrestricted Investment Earnings	181	132	18	18	199	150
Other	204	210	11	35	215	245
Total Revenues	4,272	4,158	1,542	1,348	5,814	5,506
Program Expenses						
Legislative	12	15	--	--	12	15
General Government	596	638	--	--	596	638
Public Safety	1,328	1,291	--	--	1,328	1,291
Highways and Streets	124	130	--	--	124	130
Public Works	744	748	--	--	744	748
Community and Economic Development	24	30	--	--	24	30
Recreation and Cultural	185	217	--	--	185	217
Other	228	197	--	--	228	197
Debt Service	72	116	--	--	72	116
Water and Sewer	--	--	1,877	1,786	1,877	1,786
Total Expenses	3,313	3,382	1,877	1,786	5,190	5,168
Change in Net Assets	\$ 959	\$ 776	\$ (335)	\$ (438)	\$ 624	\$ 338

Included in governmental activities revenues and business-type activities expenses is a transfer of approximately \$24,000 between these activities.

The City's net assets continue to remain healthy. Net assets grew by \$624,000. This was primarily because of increases in Net Assets of Governmental Activities.

### Governmental Activities

The City's total governmental revenues increased by approximately \$114,000, primarily due to an increase in most revenue sources. Expenses of the governmental activities decreased by \$69,000 over those of the previous year, primarily due to a decrease in debt service expenses.

# **CITY OF MARINE CITY**

## **Management's Discussion and Analysis**

**June 30, 2007**

### **Business-Type Activities**

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer treatment to all City residents. We experienced a decrease in our net operating loss. This was primarily due to an increase in user fees and contract revenue of approximately \$218,000.

### **The City's Funds**

Our analysis of the City's major funds begins on page 5, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds include the General Fund, the Major & Local Street Funds, and the 1991 Unlimited Bond Series A Debt Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$1,382,000. These two services are supported by general tax revenues of the City and State Revenue Sharing. In addition, the General Fund expended approximately \$752,000 on Public Works. These two areas represent approximately 67% of the General Fund's total expenditures.

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. The total budgeted expenditures for the General Fund were increased by approximately 6.3% during the year. The City's departments overall stayed within the budget, resulting in total expenditures \$207,545 below the budget. This caused the General Fund's fund balance to increase from \$517,638 a year ago to \$663,983 at June 30, 2007.

### **Capital Asset and Debt Administration**

At the end of June 30, 2007, the City had \$13,354,945 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City has invested significantly in streets. Streets constructed prior to July 1, 2003, are not reported on the City's financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for the year ending June 30, 2008, calls for a slight increase in property tax rates from 16.7180 to 16.87070 mills. Because of the impact of Proposal A, however, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

# **CITY OF MARINE CITY**

## **Management's Discussion and Analysis**

**June 30, 2007**

The building at 300 Broadway, the City Administrative and Police Department operating facility, has been vacated due to structural problems. Therefore, the City officials and the City taxpayers must make a decision as to the future of this building and permanent location of these offices.

Water usage rates have been increased by the rate of inflation plus amounts to retire debt issue for improvements at the Marine City Water Treatment facility for the year ending June 30, 2008.

Due to the State of Michigan's budget problems, the City of Marine City is concerned about State Revenue Sharing funds. In addition, the City's fringe benefit costs have increased. The City's pension contribution rate decreased from 11.64% to 10.99% for fiscal year 7/1/07 - 6/30/08. However, the City is now responsible to set aside funds for retiree's health care cost. The City has approved to set aside 15.67% of the City's full-time active employees payroll for fiscal year 7/1/07 - 6/30/08 for this purpose. The City's actuary has determined the appropriate funding level for this obligation to be approximately 19%.

### **Contacting the City Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Treasurer's office.





# McBride, Manley & Miiller P.C.

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

## INDEPENDENT AUDITOR'S REPORT

October 22, 2007

Honorable Mayor and City Commission  
City of Marine City  
303 S. Water Street  
Marine City, Michigan 48039

Honorable Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF MARINE CITY, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marine City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

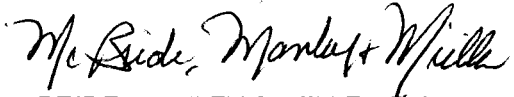
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marine City, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2007, on our consideration of the City of Marine City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages i through iv is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Marine City's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants



# CITY OF MARINE CITY

## STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government		Component Units		
	Governmental Activities	Business-type Activities	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash - checking and on hand	\$ 2,619,305	\$ 135,419	\$ 242,018	\$ 455,823	\$ 1,301,214
- savings and cash equivalent investments	16,648	-	-	-	-
Restricted cash	-	83,159	-	-	-
Accounts and assessments receivable	19,281	403,779	-	-	-
Taxes receivable (net of allowance of \$49,284)	52,674	-	-	-	-
Due from other units of government	231,733	-	-	-	-
Due from component unit	39,020	-	-	-	-
Internal balances*	4,338	21,728	-	-	-
Accrued revenue	67,079	-	-	-	-
Other assets	1,446	-	-	-	-
<b>Total Current Assets</b>	<b>3,051,524</b>	<b>644,085</b>	<b>242,018</b>	<b>455,823</b>	<b>1,301,214</b>
<b>Other Assets</b>					
Capital assets, net of accumulated depreciation	2,956,491	10,398,454	13,354,945	-	-
<b>TOTAL ASSETS</b>	<b>\$ 6,008,015</b>	<b>\$ 11,042,539</b>	<b>\$ 242,018</b>	<b>\$ 455,823</b>	<b>\$ 1,301,214</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 111,148	\$ 61,811	\$ 2,327	\$ 10,971	\$ 1,486
Due to agency	15,779	140	-	-	-
Due to City	-	-	-	-	39,020
Internal balances*	21,728	4,338	-	-	-
Accrued wages and vacation pay	160,133	20,099	-	-	-
Accrued interest payable	19,368	17,469	3,658	-	-
Current portion of bonds	542,081	160,000	20,000	-	-
Due to other units and taxpayers	11,253	-	-	-	-
<b>Total Current Liabilities</b>	<b>881,490</b>	<b>263,857</b>	<b>25,985</b>	<b>10,971</b>	<b>40,506</b>
<b>Noncurrent Liabilities</b>					
Accrued sick pay	90,270	196,247	-	-	-
Long-term obligations, net of current portion	2,858,632	3,450,000	295,000	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 3,830,392</b>	<b>\$ 3,910,104</b>	<b>\$ 320,985</b>	<b>\$ 10,971</b>	<b>\$ 40,506</b>
<b>NET ASSETS</b>					
Investment in capital assets, net of related debt	\$ (444,222)	\$ 6,788,454	\$ -	\$ -	\$ -
Restricted for:					
Debt service	11,869	-	-	-	-
Highways and streets - Act 51	1,244,663	-	-	-	-
Asset replacement	18,889	14,266	-	-	-
Drug enforcement	5,794	-	-	-	-
Perpetual care (\$95,694 non-expendable, \$41,084 expendable)	136,778	-	-	-	-
Library	22,571	-	-	-	-
Unrestricted	1,181,281	329,715	(78,967)	444,852	1,260,708
<b>TOTAL NET ASSETS</b>	<b>\$ 2,177,623</b>	<b>\$ 7,132,435</b>	<b>\$ (78,967)</b>	<b>\$ 444,852</b>	<b>\$ 1,260,708</b>

\* amounts have been offset in total column

See accompanying notes.

## For the year ended June 30, 2007

**GENERAL PURPOSE REVENUES**

4

# CITY OF MARINE CITY

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

ASSETS	General	Major Street Fund	Local Street Fund	1991 Unlimited Bond Series A Fund	Other Governmental Funds	Total Governmental Funds
Cash - checking and on hand	\$ 655,339	\$ 779,025	\$ 498,027	\$ 10,948	\$ 674,404	\$ 2,617,743
- savings and cash equivalent investments	16,648	-	-	-	-	16,648
Accounts and assessments receivable	19,281	-	-	-	-	19,281
Due from other funds	150,473	-	21,057	9,280	11,593	192,403
Due from other units of government	178,885	40,317	12,531	-	-	231,733
Other assets	1,446	-	-	-	-	1,446
<b>TOTAL ASSETS</b>	<b>\$ 1,022,072</b>	<b>\$ 819,342</b>	<b>\$ 531,615</b>	<b>\$ 20,228</b>	<b>\$ 685,997</b>	<b>\$ 3,079,254</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 107,740	\$ 995	\$ 1,263	\$ -	\$ 1,150	\$ 111,148
Due to other funds	14,321	28,816	14,588	23,110	2,196	83,031
Accrued wages	42,875	347	249	-	629	44,100
Due to other units and taxpayers	11,253	-	-	-	-	11,253
Deferred revenue	181,900	-	-	7,043	7,585	196,528
<b>TOTAL LIABILITIES</b>	<b>\$ 358,089</b>	<b>\$ 30,158</b>	<b>\$ 16,100</b>	<b>\$ 30,153</b>	<b>\$ 11,560</b>	<b>\$ 446,060</b>
<b>FUND EQUITY</b>						
Reserved for:						
Debt service	-	-	-	(9,925)	19,955	10,030
Drug enforcement	5,794	-	-	-	-	5,794
Equipment	18,889	-	-	-	-	18,889
Library	-	-	-	-	22,571	22,571
Perpetual care	-	-	-	-	136,778	136,778
Special revenue	-	789,184	515,515	-	-	1,304,699
Unreserved, reported in:						
General fund	639,300	-	-	-	-	639,300
Special revenue funds	-	-	-	-	150,990	150,990
Capital projects	-	-	-	-	344,143	344,143
<b>TOTAL FUND EQUITY</b>	<b>\$ 663,983</b>	<b>\$ 789,184</b>	<b>\$ 515,515</b>	<b>\$ (9,925)</b>	<b>\$ 674,437</b>	<b>\$ 2,633,194</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,022,072</b>	<b>\$ 819,342</b>	<b>\$ 531,615</b>	<b>\$ 20,228</b>	<b>\$ 685,997</b>	<b>\$ 3,079,254</b>

See accompanying notes.



McBride, Manley  
& Müller P.C.

## CITY OF MARINE CITY

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET ASSETS

June 30, 2007

Total Fund Balance - Governmental Funds \$ 2,633,194

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of capital assets	\$ 7,155,239	
Less: accumulated depreciation	<u>(4,198,748)</u>	
Net Capital Assets		2,956,491

Delinquent personal property taxes receivable and accrued fire revenues receivable were not available soon enough after year end to pay the current period expenditures and, therefore, are deferred in the governmental funds.

214,323

Long-term liabilities, including loans payable, are not due in the current period and, therefore, are not reported as liabilities in the governmental funds.

Loans payable	\$ 3,400,713	
Accrued interest on loans	19,368	
Compensated absences	<u>206,304</u>	
Total Long-Term Liabilities		(3,626,385)

<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>2,177,623</u></b>
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# CITY OF MARINE CITY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended June 30, 2007

	General	Major Street Fund	Local Street Fund	1991 Unlimited Bonds Series A Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Tax collections	\$ 1,937,533	\$ -	\$ -	\$ -	\$ 97,142	\$ 2,176,062
Distributions from State of Michigan	501,218	218,708	76,311	141,387	-	796,237
Licenses, permits, fines, and fees	104,996	-	-	136,617	-	241,613
Fire protection fees	134,158	-	-	-	-	134,158
Foundations, sales and services, and contributions	-	-	-	-	41,928	41,928
Recreation	37,494	-	-	-	-	37,494
Grant proceeds and reimbursements	38,280	-	-	-	-	38,280
Telecommunications	12,663	-	-	-	-	12,663
Zoning and site plan fees	1,600	-	-	-	-	1,600
Interest and penalties earned	86,863	32,522	21,419	5,246	35,274	181,324
Reimbursements from other funds and local units	-	-	-	113,596	-	113,596
Other revenue	38,881	-	-	-	4,169	43,050
Refuse	190,636	-	-	-	-	190,636
Intergovernmental	45,195	-	-	-	-	45,195
<b>TOTAL REVENUES</b>	<b>3,129,517</b>	<b>251,230</b>	<b>97,730</b>	<b>396,846</b>	<b>178,513</b>	<b>4,053,836</b>
<b>Other Financing Sources:</b>						
Funding for lease	70,455	-	-	-	-	70,455
Transfers from other funds	149,729	230	50,340	123,168	38,245	361,712
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>3,349,701</b>	<b>251,460</b>	<b>148,070</b>	<b>520,014</b>	<b>216,758</b>	<b>4,486,003</b>
<b>Expenditures:</b>						
Legislative	11,766	-	-	-	-	11,766
General government	577,632	2,825	2,825	2,264	759	586,305
Public safety	1,425,903	-	-	-	-	1,425,903
Public works	752,070	-	-	-	-	752,070
Community and economic development	24,426	-	-	-	-	24,426
Recreation and cultural	171,194	-	-	-	-	171,194
Highways and streets	-	47,985	70,391	-	-	118,376
Other	189,339	-	-	-	30,273	219,612
Debt service - principal	-	-	-	460,000	115,000	575,000
- interest	13,091	-	-	68,500	10,202	91,793
<b>TOTAL EXPENDITURES</b>	<b>3,165,421</b>	<b>50,810</b>	<b>73,216</b>	<b>530,764</b>	<b>156,234</b>	<b>3,976,445</b>
<b>Other Financing Uses:</b>						
Transfers to other funds	37,935	49,875	-	-	100,013	187,823
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>3,203,356</b>	<b>100,685</b>	<b>73,216</b>	<b>530,764</b>	<b>256,247</b>	<b>4,164,268</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	<b>146,345</b>	<b>150,775</b>	<b>74,854</b>	<b>(10,750)</b>	<b>(39,489)</b>	<b>321,735</b>
Fund Balance at July 1, 2006	517,638	638,409	440,661	825	713,926	2,311,459
<b>FUND BALANCE AT JUNE 30, 2007</b>	<b>\$ 663,983</b>	<b>\$ 789,184</b>	<b>\$ 515,515</b>	<b>\$ (9,925)</b>	<b>\$ 674,437</b>	<b>\$ 2,633,194</b>

See accompanying notes.

## CITY OF MARINE CITY

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

June 30, 2007

Total Net Change in Fund Balances - Governmental Funds	\$	321,735
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Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for government activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. Proceeds from the sale of capital assets are reported as revenue in the governmental funds. For government activities, these proceeds are reduced by the net book value of disposed assets to provide the gain or loss on sale of such assets in the statement of activities.

Capital outlay	\$	169,993	
Less: depreciation		<u>(192,536)</u>	
			(22,543)

Delinquent personal property taxes receivable and fire contract revenue were not available soon enough after year end to pay the current period expenditures and, therefore, are deferred in the governmental funds.

90,858

Repayment of loan principal is an expenditure, and loan proceeds are revenue in the governmental funds. Proceeds increase and repayments decrease liabilities in the statement of net assets and do not affect the statement of activities.

Loan principal payments	553,956
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Compensated absences are measured by the amount earned in the statement of activities. In the governmental funds, these items are measured by financial resources used.

1,116

Interest expenditures are recorded when financial resources are used in the governmental funds. Interest expense is recognized as the interest accrues regardless of when it is due in the statement of activities.

14,046

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>959,168</u></b>
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# CITY OF MARINE CITY

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2007

Water Supply and  
Sewage Disp. System

### **ASSETS**

#### **Current Assets**

Cash - checking and on hand	\$	135,419
Restricted cash		83,159
Due from other funds		21,728
Accounts and assessments receivable		403,779
<i>Total Current Assets</i>		<u>644,085</u>

#### **Other Assets**

Capital assets, net of accumulated depreciation		10,398,454
<b>TOTAL ASSETS</b>	\$	<u><b>11,042,539</b></u>

### **LIABILITIES**

#### **Current Liabilities**

Accounts payable	\$	61,811
Due to other funds		4,478
Accrued wages and vacation pay		20,099
Accrued interest		17,469
Current portion of long-term debt		160,000
<i>Total Current Liabilities</i>		<u>263,857</u>

#### **Noncurrent Liabilities**

Accrued sick pay		196,247
Long-term obligations, net of current portion		3,450,000
<b>TOTAL LIABILITIES</b>	\$	<u><b>3,910,104</b></u>

### **NET ASSETS**

Investment in capital assets, net of related debt	\$	6,788,454
Unrestricted		329,715
Restricted		14,266
<b>TOTAL NET ASSETS</b>	\$	<u><b>7,132,435</b></u>



## CITY OF MARINE CITY

### STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS - PROPRIETARY FUNDS

For the year ended June 30, 2007

	Water Supply and Sewage Disp. System
<b>Operating Revenues:</b>	
Metered sales	\$ 1,375,215
Sewage treatment contract	79,795
Hydrant rental and city usage	24,000
Water taps and meter sales	3,600
Sewer taps	3,000
Miscellaneous	1,135
<b>TOTAL OPERATING REVENUES</b>	<b>1,486,745</b>
<b>Operating Expenses:</b>	
Water	868,714
Sewer	927,931
<b>TOTAL OPERATING EXPENSES</b>	<b>1,796,645</b>
<b>NET LOSS FROM OPERATIONS</b>	<b>(309,900)</b>
<b>Nonoperating Revenue (Expense):</b>	
Debt service revenue	25,892
Interest revenue	18,134
Interest expense and agent fees	(80,759)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>(36,733)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(346,633)</b>
Transfers in	11,431
<b>CHANGE IN NET ASSETS</b>	<b>(335,202)</b>
Net Assets at July 1, 2006	7,467,637
<b>NET ASSETS AT JUNE 30, 2007</b>	<b>\$ 7,132,435</b>



# CITY OF MARINE CITY

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the year ended June 30, 2007

	Water and Sewage Disposal System
<b>Cash Flows From Operating Activities:</b>	
Receipts from customers	\$ 1,386,639
Receipts from other funds	24,000
Payments to suppliers	(895,626)
Payments to employees	(623,308)
Other receipts (payments)	1,135
<b>Net Cash Used In Operating Activities</b>	<b>(107,160)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>	
Transfer from other funds	11,431
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>11,431</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(792,994)
Proceeds from bonds	796,018
Principal paid on bonds	(165,000)
Interest and paying agent fees paid on revenue bonds	(76,293)
Debt service charges	25,892
<b>Net Cash Used In Capital and Related Financing Activities</b>	<b>(212,377)</b>
<b>Cash Flows From Investing Activities:</b>	
Interest on investments	18,134
<b>Net Cash Provided By Investing Activities</b>	<b>18,134</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(289,972)</b>
Cash and Cash Equivalents at July 1, 2006	508,550
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2007</b>	<b>\$ 218,578</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>	
Operating loss	\$ (309,900)
<i>Adjustments to reconcile operating loss to net cash used in operating activities:</i>	
Depreciation	598,127
<i>Change in assets and liabilities:</i>	
Accounts receivable	(65,643)
Due from other funds	(9,328)
Accounts payable	(324,246)
Due to other funds	43
Accrued wages and compensated absences	3,787
<b>Net Cash Used In Operating Activities</b>	<b>\$ (107,160)</b>



# CITY OF MARINE CITY

## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

	Pension Fund	Retiree Health Trust	Tax Collection Fund	Special Assessment Trust	Police Trust & Agency Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 16,404	\$ 55,696	\$ 204
Investments - at fair value	6,632,103	122,994	-	-	-
Personal property taxes receivable	-	-	478,073	-	-
Due from other governmental units	-	-	29,010	-	-
Special assessment receivable	-	-	-	18,381	-
Due from other funds	-	-	15,778	140	-
<b>TOTAL ASSETS</b>	<b>\$ 6,632,103</b>	<b>\$ 122,994</b>	<b>\$ 539,265</b>	<b>\$ 74,217</b>	<b>\$ 204</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 6,992	\$ -	\$ -	\$ -	\$ -
Accrued interest	-	-	-	1,217	-
Current portion of debt	-	-	-	4,000	-
Due to other governmental units	-	-	438,940	-	204
Due to other funds	3,195	-	100,325	-	-
Long-term debt	-	-	-	69,000	-
<b>TOTAL LIABILITIES</b>	<b>\$ 10,187</b>	<b>\$ -</b>	<b>\$ 539,265</b>	<b>\$ 74,217</b>	<b>\$ 204</b>
<b>NET ASSETS</b>					
<i>Held in Trust for Benefits</i>	<b>\$ 6,621,916</b>	<b>\$ 122,994</b>			

See accompanying notes.



# CITY OF MARINE CITY

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

For the year ended June 30, 2007

	Pension Trust Fund	Retiree Health Trust
<b>ADDITIONS</b>		
<b>Contributions:</b>		
Employer	\$ 172,895	\$ 31,922
Employee	75,111	-
<b>Total Contributions</b>	<b>248,006</b>	<b>31,922</b>
<b>Investment Income:</b>		
Net appreciation in fair value of investments	697,366	412
Interest, dividends, and realized gains	13,441	5,391
<b>Total Investment Gain</b>	<b>710,807</b>	<b>5,803</b>
<b>TOTAL ADDITIONS</b>	<b>958,813</b>	<b>37,725</b>
<b>DEDUCTIONS</b>		
Benefits	242,949	91,982
Administrative expenses	63,969	75
<b>TOTAL DEDUCTIONS</b>	<b>306,918</b>	<b>92,057</b>
<b>NET CHANGE</b>	<b>651,895</b>	<b>(54,332)</b>
Net Assets at July 1, 2006	5,970,021	177,326
<b>NET ASSETS AT JUNE 30, 2007</b>	<b>\$ 6,621,916</b>	<b>\$ 122,994</b>



# CITY OF MARINE CITY

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable) Final to Actual
<b>Revenues:</b>				
Tax collections	\$ 1,940,800	\$ 1,948,800	\$ 1,937,533	\$ (11,267)
Distributions from State of Michigan	508,000	508,000	501,218	(6,782)
Licenses, permits, fines, and fees	87,025	105,725	104,996	(729)
Fire protection fees	140,000	140,000	134,158	(5,842)
Recreation	37,000	37,000	37,494	494
Grant proceeds and reimbursements	-	36,350	38,280	1,930
Telecommunications	13,800	13,800	12,663	(1,137)
Zoning and site plan fees	1,000	1,000	1,600	600
Interest and penalties earned	40,100	86,100	86,863	763
Refuse	191,575	191,575	190,636	(939)
Other revenue	27,500	41,530	38,881	(2,649)
Intergovernmental - equipment revenue	45,000	45,000	45,195	195
<b>TOTAL REVENUES</b>	<b>3,031,800</b>	<b>3,154,880</b>	<b>3,129,517</b>	<b>(25,363)</b>
<b>Other Financing Sources:</b>				
Funding for capital lease	165,000	170,255	70,455	(99,800)
Transfers from other funds	164,905	241,250	149,729	(91,521)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>3,361,705</b>	<b>3,566,385</b>	<b>3,349,701</b>	<b>(216,684)</b>
<b>Expenditures:</b>				
Legislative	15,845	14,645	11,766	2,879
General government	591,810	640,115	577,632	62,483
Public safety	1,575,463	1,609,528	1,425,903	183,625
Public works	765,940	825,940	752,070	73,870
Community and economic development	29,550	28,125	24,426	3,699
Recreation and cultural	217,627	238,352	171,194	67,158
Other	166,300	219,825	189,339	30,486
Debt service	11,235	13,120	13,091	29
<b>TOTAL EXPENDITURES</b>	<b>3,373,770</b>	<b>3,589,650</b>	<b>3,165,421</b>	<b>424,229</b>
<b>Other Financing Uses:</b>				
Transfers to other funds	37,935	37,935	37,935	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>3,411,705</b>	<b>3,627,585</b>	<b>3,203,356</b>	<b>424,229</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(50,000)</b>	<b>(61,200)</b>	<b>146,345</b>	<b>207,545</b>
Fund Balance at July 1, 2006	517,638	517,638	517,638	-
<b>FUND BALANCE AT JUNE 30, 2007</b>	<b>\$ 467,638</b>	<b>\$ 456,438</b>	<b>\$ 663,983</b>	<b>\$ 207,545</b>



# CITY OF MARINE CITY

## MAJOR STREET FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>Revenues:</b>				
Distributions from State Motor				
Vehicle Highway Fund	\$ 209,000	\$ 212,000	\$ 218,708	\$ 6,708
Interest earned	12,000	32,000	32,522	522
<b>TOTAL REVENUES</b>	<b>221,000</b>	<b>244,000</b>	<b>251,230</b>	<b>7,230</b>
<b>Other Financing Sources:</b>				
Transfers from other funds	745	745	230	(515)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>221,745</b>	<b>244,745</b>	<b>251,460</b>	<b>6,715</b>
<b>Expenditures:</b>				
General administration	2,825	2,825	2,825	-
Drain storm sewers	9,910	9,910	1,717	8,193
Routine maintenance	40,250	41,900	27,720	14,180
Bridge maintenance	17,105	17,105	952	16,153
Street sweeping	6,555	6,555	1,918	4,637
Ice and snow control	18,300	18,300	10,101	8,199
Traffic service	4,710	4,710	1,088	3,622
Surface maintenance M-29	1,375	1,375	-	1,375
Roadside maintenance M-29	730	730	242	488
Non-motorized transportation	7,230	7,230	833	6,397
Traffic signs M-29	500	900	1,044	(144)
General maintenance M-29	2,840	2,840	1,670	1,170
Ice and snow control M-29	1,745	1,745	700	1,045
<b>TOTAL EXPENDITURES</b>	<b>114,075</b>	<b>116,125</b>	<b>50,810</b>	<b>65,315</b>
<b>Other Financing Uses:</b>				
Transfers to other funds	50,000	50,000	49,875	125
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>164,075</b>	<b>166,125</b>	<b>100,685</b>	<b>65,440</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	<b>57,670</b>	<b>78,620</b>	<b>150,775</b>	<b>72,155</b>
Fund Balance at July 1, 2006	638,409	638,409	638,409	-
<b>FUND BALANCE AT JUNE 30, 2007</b>	<b>\$ 696,079</b>	<b>\$ 717,029</b>	<b>\$ 789,184</b>	<b>\$ 72,155</b>



# CITY OF MARINE CITY

## LOCAL STREET FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2007

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
<b>Revenues:</b>				
Distributions from State Motor				
Vehicle Highway Fund	\$ 76,000	\$ 76,000	\$ 76,311	\$ 311
Interest earned	8,000	21,000	21,419	419
<b>TOTAL REVENUES</b>	<b>84,000</b>	<b>97,000</b>	<b>97,730</b>	<b>730</b>
<b>Other Financing Sources:</b>				
Transfer from other funds	50,830	50,830	50,340	(490)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>134,830</b>	<b>147,830</b>	<b>148,070</b>	<b>240</b>
<b>Expenditures:</b>				
General administrative	2,825	2,825	2,825	-
Drain/storm sewers	9,345	9,345	2,767	6,578
Routine maintenance	44,775	47,175	49,164	(1,989)
Non-motorized transportation	3,500	3,500	792	2,708
Street sweeping	15,535	15,535	6,579	8,956
Ice and snow control	20,205	20,205	10,245	9,960
Traffic service	3,620	3,620	844	2,776
<b>TOTAL EXPENDITURES</b>	<b>99,805</b>	<b>102,205</b>	<b>73,216</b>	<b>28,989</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>35,025</b>	<b>45,625</b>	<b>74,854</b>	<b>29,229</b>
Fund Balance at July 1, 2006	440,661	440,661	440,661	-
<b>FUND BALANCE AT JUNE 30, 2007</b>	<b>\$ 475,686</b>	<b>\$ 486,286</b>	<b>\$ 515,515</b>	<b>\$ 29,229</b>





# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**DESCRIPTION OF CITY OPERATIONS AND FUND TYPES:** The City of Marine City covers an area of four square miles. The City operates under an elected Mayor and Board of six commissioners and provides services to its residents (approximately 4,500) in many areas including law enforcement, fire protection, and sanitation.

**REPORTING ENTITY:** The financial reporting entity consists of the primary government of the City of Marine City and its discretely presented component units. GASB Statement No. 14, as amended by GASB 39, states that the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the financial reporting entity are separately elected governing body, legally separate entity, fiscally independent, ability to appoint voting majority of governing body, ability to impose its will, and potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, the following have been determined to be discretely presented component units of the City of Marine City:

T.I.F.A. #1  
T.I.F.A. #2

T.I.F.A. #3

During the year ended June 30, 2007, T.I.F.A. #2 contributed \$35,000 and T.I.F.A. #3 contributed \$85,000 to Debt Service in fulfillment of bond obligations. T.I.F.A. #3 contributed \$65,320 to the General Fund.

All of the component units were established to prevent urban deterioration and encourage economic development and activity as well as to encourage neighborhood revitalization and historic preservation.

The financial statements of the City do not include the Building Authority. This entity is inactive and has no assets, liabilities, or fund balance. The City retains its existence for possible future use. Educational services are provided to citizens through local school districts which are separate governmental entities.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31, and the related property taxes are levied on July 1, and become a lien on the following July 1. These taxes are due on August 31, with a final collection date of February 28, before they are added to the county tax rolls.

Revenues earned and susceptible to accrual are considered available and recognized if received within sixty days after the year end.

The government reports the following major governmental funds:

**GENERAL FUND** - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

**MAJOR AND LOCAL STREET FUNDS** - The Major Street Fund accounts for all financial resources of state gas and weight tax revenues that are restricted for use on major streets. The Local Street Fund accounts for all financial resources of state gas and weight tax revenues that are restricted for use on local streets.

**1991 UNLIMITED BONDS SERIES A FUND** - The 1991 Unlimited Bonds Series A Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This fund is not legally required to adopt a budget, and a budgetary comparison statement has not been presented for the Fund.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major proprietary funds:

**ENTERPRISE FUNDS** - The Water Supply and Sewage Disposal System Fund reports operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

Additionally, the government reports the following fund type:

**PENSION FUND** - This fund is an agent for retirement contributions for the City employees.

**RETIREE HEALTH TRUST** - This fund is an agent for health insurance contributions for the City's employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

### ASSETS, LIABILITIES, AND NET ASSETS

**BANK DEPOSITS AND INVESTMENTS:** Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**RECEIVABLES AND PAYABLES:** In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts, totaling \$49,284.

**INVENTORIES AND PREPAID ITEMS:** Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**CAPITAL ASSETS:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Infrastructure assets acquired prior to July 1, 2003, have not been capitalized and are omitted from the Statement of Net Assets.

Assets are depreciated using the straight-line method over the following useful lives:

Office Equipment	3-15 years
Buildings and Additions	15-60 years
Water and Sewer System	20-40 years
Roads and Sidewalks	20 years
Machinery and Equipment	5-10 years
Water and Sewer Plant and Equipment	20 years

**CAPITALIZED INTEREST:** The City capitalizes interest during the construction phase of proprietary fund assets if financed by revenue bonds. Interest is not capitalized for assets constructed with general obligation debt. There was no interest capitalized for the period.

**COMPENSATED ABSENCES:** The City accrues the liability for future vacation, sick, and other leave benefits that are attributable to employee services already rendered if this obligation relates to vested obligations, the payment of which is probable and can be reasonably estimated. It is the policy of the City to show unpaid vacation benefits as current, as they are payable within one year.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**LONG-TERM OBLIGATIONS:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	\$ 98,569	\$ --
Special Assessments	8,779	--
State Revenue Sharing	89,180	--
	<u>\$196,528</u>	<u>\$ --</u>

**FUND EQUITY:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

It is the policy of the City to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:** P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended, of the City for these budgetary funds were adopted to the departmental level and are shown in the supplemental schedules to this statement. Budget amendments require approval from a majority of the City Council. Actual expenditures exceeded those budgeted as follows:

<i>General Fund:</i>	
General Government Professional Services	\$3,854
<i>Major Street Fund:</i>	
Traffic Signs M-29	\$ 144
<i>Local Street Fund:</i>	
Routine Maintenance	\$1,989

In addition, Michigan statutes do not permit a fund to maintain a deficit fund balance. The 1991 Unlimited Bond Series A Fund ended the year June 30, 2007, with a deficit of \$9,925. The City has adopted a budget for the fiscal year ending June 30, 2008, that eliminates this deficit.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 3: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are at Michigan banks in the name of the City of Marine City Treasurer. Michigan Act 20 P.A. 1943 allows a city to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days
4. U.S. or agency repurchase agreements
5. Mutual funds - investments which local unit can make directly
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The above investment restrictions do not apply to the City's Pension Fund.

The deposits of the City are in accordance with statutory authority.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and Investments."

The City's cash deposits are as follows:

Deposits are reflected on the individual fund balance sheet as follows:

Total government funds	\$2,617,743
Total proprietary funds	218,578
Total fiduciary funds	72,304
Total component units	1,999,055
Less cash on hand	( 150)
Total Deposits	<u>\$4,907,530</u>



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 3: CASH AND INVESTMENTS (Continued)

**CUSTODIAL CREDIT RISK:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$4,350,452 of the government's bank balance of \$4,919,911 was exposed to custodial credit risk as follows:

<u>Deposits</u>	<u>Insured (FDIC)</u>	<u>Uninsured and Uncollateralized</u>	<u>Carrying Amount</u>	<u>Bank Balance/ Market Value</u>
Demand deposits	\$431,823	\$4,350,302	\$ 4,838,487	\$4,851,018
Savings and CD's	68,893	--	68,893	68,893
Cash on hand	--	150	150	--
	<u>\$500,716</u>	<u>\$4,350,452</u>	<u>4,907,530</u>	<u>\$4,919,911</u>

#### Investments

Mutual funds -  
nonrisk category

GRAND TOTAL CASH AND INVESTMENTS

6,771,745  
\$11,679,275

#### Investments - Nonrisk Categorized

Mutual funds - Pension Fund - UBS Financial Services  
- Retiree Health Trust - UBS Financial Services  
- Other funds - LaSalle Bank  
Total Investments

<u>Carrying Amount</u>	<u>Market Value</u>
\$ 6,632,103	\$6,632,103
122,994	122,994
16,648	16,648
<u>\$ 6,771,745</u>	<u>\$6,771,745</u>

During the year, the City invested additional money for the Retiree Health Trust.

Other fund mutual fund investments are limited to those under SEC Rule 2a7 or like investment pools. In accordance with GASB Statement No. 31, these are carried at amortized cost for financial reporting purposes.

**INTEREST RATE RISK:** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the City made no investments that have market value risk during the current fiscal year.

**CREDIT RISK:** State law limits investments as stated above. The City's investment policy does not limit its investment choices beyond the statute. The authority to make investment decisions has been granted to the City Treasurer.

**CONCENTRATION OF CREDIT RISK:** The City places no limit on the amount the City may invest in any one issuer. 99% of the City's investments are with UBS Financial Services. These are mutual funds whose investments are limited to those allowed by statute.



## CITY OF MARINE CITY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

#### NOTE 4: RESTRICTED ASSETS AND INVESTMENTS

##### *Water and Sewer Fund - Restricted Assets:*

Per Bond Ordinance 48, as amended by 48A and 57 - cash restricted to pay for asset replacement	\$ 5,000
Per City's designation - cash restricted for sewer construction	9,266
Cash restricted to pay for FMHA Series III Bond	<u>68,893</u>
	<u>\$83,159</u>

##### *Pension Fund and Retiree Health Care Trust:*

Michigan state statute authorizes a political subdivision to make various investments with assets of public employee retirement systems including, but not limited to, the following:

1. The general account of a life insurer authorized to do business in this state, but the total of the assets invested shall not exceed 50% of the capital and surplus of the insurer.
2. Obligations of the United States or its agencies.
3. Banker's acceptances, commercial accounts, certificates of deposit or depository receipts issued by a bank, trust company, savings and loan association, or a credit union.
4. Commercial paper rated within 3 highest rate classifications by at least 2 rating services and matures not later than 270 days.

The City of Marine City's Pension and Retiree Health Care Trust deposits and investments are in accordance with statutory authority.

The Pension and Retiree Health Care Trust investments are as follows:

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
Paine Webber Cash Fund	Variable	\$ 80,226
Paine Webber Trust Company	Variable	<u>6,674,871</u>
		<u>\$6,755,097</u>

All of the investments are held in the name of the City's Pension and Retiree Health Care Trust.

#### NOTE 5: FIXED ASSETS

##### *Governmental Activities Fixed Assets:*

A summary of changes in governmental fixed assets follows:

	<u>Balance 6/30/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/07</u>
General Government:				
Equipment and vehicles	\$1,235,718	\$ 775	\$ --	\$1,236,493
Buildings	566,331	--	--	566,331
Land	1,246,019	--	--	1,246,019
Public Safety:				
Equipment and vehicles	807,395	17,606	--	825,001
Buildings	520,987	--	--	520,987
Capitalized leases	394,192	129,053	--	523,245





# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 5: FIXED ASSETS (Continued)

#### Governmental Activities Fixed Assets: (Continued)

	Balance 6/30/06	Additions	Disposals	Balance 6/30/07
Public Works:				
Equipment and vehicles	\$ 269,964	\$ 14,967	\$ --	\$ 284,931
Buildings	242,719	--	--	242,719
Capitalized leases	77,214	--	--	77,214
Recreation:				
Equipment	235,803	5,061	--	240,864
Buildings	226,960	--	--	226,960
Highways and Streets:				
Equipment	758,554	--	--	758,554
Roads/sidewalks	130,461	--	--	130,461
Cemetery:				
Equipment	31,159	2,531	--	33,690
Buildings	241,770	--	--	241,770
	6,985,246	169,993	--	7,155,239
Accumulated Depreciation	4,006,212	192,536	--	4,198,748
	<u>\$2,979,034</u>	<u>(\$ 22,543)</u>	<u>\$ --</u>	<u>\$2,956,491</u>

The above amounts include land with a cost of \$1,246,019 not subject to depreciation.

The assets above include assets acquired through capital leases with a cost of \$600,459 and accumulated depreciation of \$402,390.

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

General Government	\$ 16,980
Public Safety	69,094
Public Works	25,472
Recreation	18,642
Highways and Streets	51,204
Cemetery	11,144
Total	<u>\$192,536</u>

#### Business-Type Activities Fixed Assets:

	Balance 6/30/06	Additions	Disposals	Balance 6/30/07
Water plant, lines, and equipment	\$ 5,464,821	\$748,881	\$ --	\$ 6,213,702
Sewer plant, lines, and equipment	14,418,917	44,113	--	14,463,030
Land	63,174	--	--	63,174
	19,946,912	792,994	--	20,739,906
Accumulated depreciation	( 9,743,325)	598,127	--	10,341,452
	<u>\$10,203,587</u>	<u>\$194,867</u>	<u>\$ --</u>	<u>\$10,398,454</u>



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 5: FIXED ASSETS (Continued)

#### Business-Type Activities Fixed Assets: (Continued)

Depreciation for the water and sewer systems totaled \$168,465 and \$429,662, respectively, for the year ended June 30, 2007.

### NOTE 6: LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

#### Changes in Indebtedness by Type:

	Payable at June 30, 2006	Increase	Decrease	Payable at June 30, 2007
General Obligation:				
General obligation bonds	\$3,735,000	\$ --	\$575,000	\$3,160,000
Fire truck leases	144,167	65,200	25,687	183,680
Police car lease	15,591	--	4,528	11,063
Backhoe lease	59,911	--	13,941	45,970
Accrued sick pay	<u>252,006</u>	<u>34,511</u>	<u>--</u>	<u>286,517</u>
Total General Obligation	4,206,675	99,711	619,156	3,687,230
Revenue Bonds	465,000	--	10,000	455,000
Drinking Water Revolving Fund Bonds	2,513,982	796,018	155,000	3,155,000
Special Assessment Bonds	<u>77,000</u>	<u>--</u>	<u>4,000</u>	<u>73,000</u>
Total Indebtedness	<u>\$7,262,657</u>	<u>\$895,729</u>	<u>\$788,156</u>	<u>\$7,370,230</u>

#### Changes in Indebtedness by Fund:

Total Water and Sewer Fund Indebtedness	\$3,137,760	\$833,487	\$165,000	\$3,806,247
Total Governmental Indebtedness	4,047,897	65,200	622,114	3,490,983
Special Assessments	<u>77,000</u>	<u>--</u>	<u>4,000</u>	<u>73,000</u>
Total Indebtedness	<u>\$7,262,657</u>	<u>\$898,687</u>	<u>\$791,114</u>	<u>\$7,370,230</u>

The general obligation bonds and indebtedness are to be financed by revenues of the Debt Service Fund. The installment loan revenue bonds are to be retired by the revenues of the Water and Sewer Fund. The special assessment bonds are to be retired from collection of special assessments.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 6: LONG-TERM DEBT (Continued)

The following is a summary of indebtedness and annual principal and interest requirements:

#### Summary of Indebtedness:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
<b>General Obligations:</b>				
1991 Unlimited Tax Bonds - Series A	1	2.00%	2013	\$2,965,000
1992 Unlimited Tax Bonds - Series C	1	2.00	2012	115,000
1992 Limited Tax Wastewater Treatment System Bonds	1	2.00	2011	80,000
Fire truck leases (see note below)	2	6.61, 5.63	2014	183,680
Backhoe lease (see note below)	1	4.80	2010	45,970
Police car lease (see note below)	1	11.30	2010	11,063
Accrued sick pay	N/A	N/A	N/A	286,517
Total General Obligations				<u>\$3,687,230</u>
Special Assessment Bonds	1	5.00	2021	<u>\$ 73,000</u>
Revenue Bonds - Water and Sewer System	1	5.00	2021	<u>\$ 455,000</u>
Drinking Water Revolving Funds Bonds	2	2.125 - 2.50	2026	<u>\$3,155,000</u>

**Fire Truck Leases:** These leases are capital leases. Interest has been imputed at the rate of 6.61% and 5.63% per annum. These leases have been included in "Summary of Principal and Interest Requirements" below, under General Obligations. Future minimum lease payments are as follows:

Date of Lease	Amount	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Imputed Interest	Total
9/14/98	\$275,975	6.61%	2008	\$ --	\$ --	\$ --
			2009	27,172	6,848	34,020
			2010	28,743	5,278	34,021
			2011	30,404	3,616	34,020
			2012	32,161	1,859	34,020
				<u>\$118,480</u>	<u>\$17,601</u>	<u>\$136,081</u>

Annual lease payments of \$34,020 are due each July 1.

Date of Lease	Amount	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Imputed Interest	Total
4/23/07	\$144,999	5.63%	2008	\$17,470	\$ 8,164	\$25,634
			2009	18,454	7,180	25,634
			2010	19,493	6,141	25,634
			2011	20,590	5,044	25,634
			2012	21,750	3,884	25,634
			2013	22,974	2,660	25,634
			2014	24,268	1,366	25,634
Amounts contractually obligated to draw @ 6/30/07				( 79,799)	--	( 79,799)
				<u>\$65,200</u>	<u>\$34,439</u>	<u>\$99,639</u>

Annual lease payments of \$25,634 are due each April 1.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 6: LONG-TERM DEBT (Continued)

**Backhoe Lease:** This lease is a capital lease. Interest has been imputed at the rate of 4.8% per annum. This lease has been included in "Summary of Principal and Interest Requirements" below, under General Obligations. Future minimum lease payments are as follows:

<u>Date of Lease</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Imputed Interest</u>	<u>Total</u>
7/10/2004	\$73,214	4.80%	2008	\$14,611	\$2,207	\$16,818
			2009	15,312	1,505	16,817
			2010	16,047	770	16,817
				<u>\$45,970</u>	<u>\$4,482</u>	<u>\$50,452</u>

Annual lease payments of \$16,817 are due each July 10.

**Police Car Lease:** This lease is a capital lease. Interest has been imputed at the rate of 11.3% per annum. This lease has been included in "Summary of Principal and Interest Requirements" below, under General Obligations. Future minimum lease payments are as follows:

<u>Date of Lease</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Imputed Interest</u>	<u>Total</u>
5/10/2006	\$15,591	11.30%	2008	\$ --	\$ --	\$ --
			2009	5,258	1,152	6,410
			2010	5,805	604	6,409
				<u>\$11,063</u>	<u>\$1,756</u>	<u>\$12,819</u>

Annual lease payments of \$6,410 are due each July 1.

### Summary of Principal and Interest Requirements:

	<u>Year Ending June 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Obligations	\$573,200	\$578,000	\$577,500	\$576,800	\$550,900
Revenue Bonds	23,000	32,500	56,375	54,625	52,875
Drinking Water Revolving Fund					
Bonds	221,850	218,244	224,638	220,800	221,963
Special Assessment Bonds	<u>7,550</u>	<u>7,350</u>	<u>7,150</u>	<u>7,925</u>	<u>7,675</u>
Total Principal and Interest Requirements	<u>\$825,600</u>	<u>\$836,094</u>	<u>\$865,663</u>	<u>\$860,150</u>	<u>\$833,413</u>



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 6: LONG-TERM DEBT (Continued)

Summary of Principal and Interest Requirements: (Continued)

	<u>Year Ending June 30</u>			
	<u>2013-2017</u>	<u>2018-2022</u>	<u>2023-2027</u>	<u>Total</u>
General Obligations	\$ 525,300	\$ --	\$ --	\$3,381,700
Revenue Bonds	243,000	176,000	--	638,375
Drinking Water Revolving Fund				
Bonds	1,099,481	880,525	590,837	3,678,338
Special Assessment Bonds	<u>36,525</u>	<u>26,401</u>	<u>--</u>	<u>100,576</u>
Total Principal and				
Interest Requirements	<u>\$1,904,306</u>	<u>\$1,082,926</u>	<u>\$590,837</u>	<u>\$7,798,989</u>

Complete details of bonded indebtedness are found on pages 55 through 59.

#### Debt Margin:

Michigan Compiled Law limits indebtedness incurred by cities to 10% of the total state equalized valuation of the city. For the fiscal year 06/07, the state equalized value of the City of Marine City was \$147,695,029; therefore, the legal debt margin is \$14,769,503.

#### Component Units - Tax Increment Bonds:

At June 30, 2007, T.I.F.A. #1 had a total of \$315,000 of Tax Increment Bonds, series 2001 outstanding. The City has pledged its full faith and credit in the event the Component Unit Debt Retirement Fund does not pay the principal and interest payments as they come due (see page 60 for complete details).

### NOTE 7: INTERFUND/COMPONENT UNIT RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds and component units for goods provided or services rendered. These receivables and payables are classified as "Due from other funds/component units" or "Due to other funds/component units" on the balance sheet. The amounts of interfund/component units receivables and payables are as follows:

<u>Fund/Component Unit</u>	<u>Receivable</u>	<u>Fund/Component Unit</u>	<u>Payable</u>
		Major Street Fund	\$ 7,759
		Local Street Fund	14,588
		T.I.F.A. #3	39,020
		Pension Fund	3,195
		Water and Sewer Fund	408
		Tax Fund	<u>85,503</u>
General Fund	<u>\$150,473</u>		<u>\$150,473</u>
Local Street Fund	<u>\$ 21,057</u>	Major Street Fund	<u>\$ 21,057</u>
		Debt Service Fund - 1992	
		Limited Tax Bonds	\$ 2,121
Debt Service Fund-1991		Tax Fund	<u>7,159</u>
Unlimited Tax Bonds Series A	<u>\$ 9,280</u>		<u>\$ 9,280</u>



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 7: INTERFUND/COMPONENT UNIT RECEIVABLES AND PAYABLES (Continued)

<u>Fund/Component Unit</u>	<u>Receivable</u>	<u>Fund/Component Unit</u>	<u>Payable</u>
		Debt Service Fund-1991	
		Unlimited Tax Bonds Series A	\$ 21,305
		General Fund	423
Water and Sewer Fund	<u>\$ 21,728</u>		<u>\$ 21,728</u>
		Debt Service Fund-1992	
		Unlimited Tax Bonds Series C	\$ 54
		General Fund	13,898
		Debt Service Fund-1992	
		Limited Tax Bonds	21
		Debt Service Fund-1991	
		Unlimited Tax Bonds Series A	1,805
Tax Fund	<u>\$ 15,778</u>		<u>\$ 15,778</u>
Debt Services Fund -			
Public Improvement Bonds	<u>\$ 7,033</u>	Tax Fund	<u>\$ 7,033</u>
		Water and Sewer Fund	\$ 3,930
Debt Service Fund-1992		Tax Fund	401
Unlimited Tax Bonds Series C	<u>\$ 4,331</u>		<u>\$ 4,331</u>
Debt Service Fund-1992			
Limited Tax Bonds	<u>\$ 229</u>	Tax Fund	<u>\$ 229</u>
Special Assessment	<u>\$ 140</u>	Water and Sewer Fund	<u>\$ 140</u>

### NOTE 8: FUND BALANCE/RETAINED EARNINGS RESERVATIONS/DESIGNATIONS

#### Water and Sewer Fund:

#### Retained Earnings Reserved:

For asset replacement per Bond Ordinance 48, as amended by 48A and 57	\$ 5,000
For sewer construction	9,266
	<u>\$ 14,266</u>

### NOTE 9: RISK FINANCING

The City of Marine City purchases insurance coverage from independent third parties and is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage during the year.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 10: INTERFUND AND COMPONENT UNIT TRANSFERS

<u>Transfers In</u>		<u>Transfers Out</u>	
		Capital Projects	\$ 66,994
		T.I.F.A. #3	65,320
		Retiree Health	17,415
General Fund	<u>\$149,729</u>		<u>\$149,729</u>
Major Street Fund	<u>\$ 230</u>	Retiree Health	<u>\$ 230</u>
		Retiree Health	\$ 465
		Major Street Fund	49,875
Local Street Fund	<u>\$ 50,340</u>		<u>\$ 50,340</u>
		1991 Unlimited Tax Bonds- Series B	\$ 3,168
		T.I.F.A. #2	35,000
		T.I.F.A. #3	85,000
1991 Unlimited Tax Bonds- Series A	<u>\$123,168</u>		<u>\$123,168</u>
Water and Sewer Fund	<u>\$ 11,431</u>	Retiree Health	<u>\$ 11,431</u>
Capital Projects	<u>\$ 21,275</u>	General Fund	<u>\$ 21,275</u>
		Retiree Health	\$ 310
		General Fund	16,660
Cemetery Fund	<u>\$ 16,970</u>		<u>\$ 16,970</u>
Special Assessment	<u>\$ 140</u>	Water and Sewer Fund	<u>\$ 140</u>

The above transfers were made to provide various permissible interfund subsidies and reimbursements.

The transfers from the Capital Projects Fund and T.I.F.A. #3 to the General Fund were subsidies for specific projects.

The transfers from the Retiree Health Care Fund to various other funds were to subsidize the cost of retiree health care contributions.

The transfer from the Major Street Fund to the Local Street Fund is an annual subsidy equal to 25% of the State highway funds received by the Major Street Fund.

The transfers from T.I.F.A. #2 and T.I.F.A. #3 to the 1991 Unlimited Tax Bond - Series A Fund is an annual transfer of those funds' share of the annual debt obligation paid by the debt fund.

### NOTE 11: LEASES

The City has entered into a lease for copying equipment. Minimum lease payments under this agreement total \$2,062 during the year ended June 30, 2008. The City has also entered into a lease for the police department facility. Minimum lease payments under this agreement total \$6,900 during the year ended June 30, 2008. These leases have been treated as operating leases. Lease expense for the period amounted to \$118,475.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 12: EMPLOYEE RETIREMENT SYSTEM

#### A. PLAN DESCRIPTION

The City of Marine City Retirement System is a single-employer defined benefit pension plan administered by the City of Marine City. The plan provides retirement benefits to plan members and beneficiaries. The City Council of the City of Marine City has the authority to establish and amend benefit provisions. The City does not issue a stand-alone financial report for this Fund.

Substantially all of the City's employees participate in the City of Marine City Retirement System. The payroll for employees covered by the Retirement System for the year ended June 30, 2007, was approximately \$1,486,000, with payroll for the year totaling approximately \$1,900,000. Membership in the Retirement System as of June 30, 2006 (latest actuarial report available), is comprised of the following:

<u>Group</u>	<u>Employees</u>
Retirees and beneficiaries currently receiving benefits	18
Active employees - fully vested	14
- nonvested	14

Employees attaining the age of 55 who have completed 25 or more continuous years of service or who have attained the age of 60 with 10 or more years of service are entitled to annual benefits of 2.25 percent (2.0 percent prior to 2003) of their final average compensation for each year of continuous service. Benefits are reduced by .005 for each month, or fraction thereof, by which the date of benefit commencement precedes the member's attainment of age 60.

The Retirement System allows early retirement at the completion of 15 years of continuous service. Active employees, with 10 or more years of service, who become disabled, are entitled to the same benefit as if voluntarily retired. Disability benefits are paid until the earlier of death or recovery from disability. If the disabled member becomes gainfully employed, the pension benefit is reduced by the amount so earned.

Retiring members have the option of any of the following benefit payment plans:

1. Level straight life pension
2. Refund of a percentage, up to 100%, of the member's accumulated contributions, excluding interest, on the effective date of retirement
3. 100% survivor pension - member to receive reduced benefit with provision for survivor to receive same benefit for life upon member's death
4. 50% survivor pension - member to receive reduced benefit with provision for survivor to receive ½ of benefit for life upon member's death
5. Social security coordinated - member to receive increased benefit until age 65 and reduced benefit thereafter

In the event that all level straight life or social security coordinated payments terminate before the member's accumulated contributions are paid, the remainder is to be paid to the member's survivor.

If an employee terminates employment with the City and is not eligible for any other benefits under the Retirement System, the employee is entitled to the following:

- If voluntary retirement conditions have not been met - may receive lump sum payment equal to the larger of (1) the actuarial equivalent of the deferred pension, or (2) their accumulated contributions.
- If voluntary retirement conditions have been met - may receive vested benefits at normal retirement age.





# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 12: EMPLOYEE RETIREMENT SYSTEM (Continued)

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

The Pension Fund uses the accrual method of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plan. Benefits and refunds are recognized when paid.

Assets are recorded at market for reporting purposes and at market for actuarial valuation.

Investments, other than U.S. Government securities, that represent 5% or more of the plan's assets are as follows:

<u>Investments</u>	<u>% of Plan Assets</u>
Paine Webber Trust Company	99.0%

#### C. FUNDING POLICY

The contribution requirements of plan members and the City are established and may be amended by the City Council. Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 11.64% of annual covered payroll.

The costs of administering the plan are paid from plan assets.

#### D. FUND BALANCE ALLOCATION

	<u>Total Reserved Fund Balance</u>	<u>Fund Balance Reserved For Employee Contribution</u>	<u>Fund Balance Reserved For Employer Contribution</u>	<u>Fund Balance Reserved For Annuities</u>	<u>Unallocated Fund Balance</u>
Balance at July 1, 2006	\$5,970,021	\$1,242,518	\$2,043,842	\$2,683,661	\$ --
Additions:					
Employee contributions	75,111	75,111	--	--	--
Employer contributions	172,895	--	172,895	--	--
Interest earnings	13,441	--	--	--	13,441
Unrealized gain	697,366	--	--	--	697,366
Total Balance and Add.	6,928,834	1,317,629	2,216,737	2,683,661	710,807
Trans. (net of ann. purchase)	--	32,002	365,065	249,772	(646,839)
Total Revised Balances	6,928,834	1,349,631	2,581,802	2,933,433	63,968
Deductions:					
Administration	63,968	--	--	--	63,968
Annuities	242,950	--	--	242,950	--
Balance at June 30, 2007	<u>\$6,621,916</u>	<u>\$1,349,631</u>	<u>\$2,581,802</u>	<u>\$2,690,483</u>	<u>\$ --</u>



## **CITY OF MARINE CITY**

### **NOTES TO FINANCIAL STATEMENTS**

*(Continued)*

June 30, 2007

#### **NOTE 12: EMPLOYEE RETIREMENT SYSTEM (Continued)**

##### **E. ANNUAL PENSION COST AND NET PENSION OBLIGATION**

The City's annual pension cost for the current year totaled \$172,895, and there was no net pension obligation as of the latest valuation date of June 30, 2006. The annual required contribution for the current year was determined as part of the June 30, 2006, actuarial valuation using an individual entry-age actuarial funding method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses), (b) a long-term inflation rate of 4.5%, (c) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (d) additional projected salary increases ranging from 0.2% to 4.0% per year, depending on age, attributable to seniority/merit, (e) the assumptions that benefits will not increase after retirement, and (f) market value of plan assets at actuarial plan date are used to determine the actuarial value of assets.

There was an unfunded actuarial accrued liability of \$625,139 at June 30, 2006.

#### **NOTE 13: DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The City matches employee contributions for those employees who elect not to participate in the City's pension plan. Currently, the City is matching contributions for three employees. The City Council approves the matching contribution rate each year.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the City that the City has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.

#### **NOTE 14: CONTINGENCIES**

The City's landfill has not been operated for several years. As of June 30, 2001, the State of Michigan has agreed to supervise and finance the closure of this landfill. The City will be responsible on an on-going basis for the treatment of leachate generated by the site.

#### **NOTE 15: WORKING CAPITAL**

The Water Supply and Sewage Disposal Fund has a working capital balance of \$380,228 at June 30, 2007.



## **CITY OF MARINE CITY**

### **NOTES TO FINANCIAL STATEMENTS** *(Continued)*

June 30, 2007

#### **NOTE 16: POSTRETIREMENT BENEFITS**

The City has agreed to provide postretirement hospitalization insurance to all of its employees as follows:

The City's obligations for these benefits are established by labor contracts. Currently, under these contracts, the City is responsible for 100% of the cost of these benefits, and eligibility is the same as required for pension benefits.

The City has established the Retirees' Health Insurance Fund, to establish a fund to temporarily set aside funds for this obligation on a voluntary basis. This has been treated as a special revenue fund. Commencing July 1, 2004, the City has established a Retiree Health Trust Fund. The City intends to fund this cost annually, on an actuarially determined basis, but historically, the City has funded the Retiree's Health Insurance on a pay-as-you-go basis.

This plan covered 28 members as of the last actuarial report, dated June 30, 2006. Contributions for the year were \$31,922.

The City's most recent actuarial study, covering retirees' health care, indicates the following:

Assumed rate of inflation: 4.5% per year  
Assumed investment return: 7.25% per year  
Actuarial funding method: entry age cost  
Projected increase in health care cost: 4.5% per year  
Required contribution as percent of payroll: 18.42%  
Required contribution for fiscal year ending 6/30/08: \$314,178

As of June 30, 2006, the City's Retiree Health Care Trust had net assets of \$177,326 and an accrued actuarial liability of \$3,768,713, resulting in an unfunded accrued liability of \$3,591,387. Prior data regarding funding progress is not available.

#### **NOTE 17: CONTRACTUAL COMMITMENTS**

In April 2007, the City signed a lease for a fire truck in the amount of \$144,999. The City has currently borrowed \$65,200 for the year ended June 30, 2007, and is contractually obligated to borrow an additional \$79,799.

The City also has an obligation to purchase land for \$240,000 from Citizens First Savings Bank by February 9, 2008. This obligation is expected to be financed with T.I.F.A. funds and grant money.



## **SUPPLEMENTAL INFORMATION**

# CITY OF MARINE CITY

## PENSION TRUST FUND REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

(Per latest actuarial report dated June 30, 2006)

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll ((b - a)/c)
(\$ amounts in thousands)						
06/30/94	\$ **	\$ **	\$ **	** %	\$ **	\$ **
06/30/95	2,790	2,215	(575)	126.0	1,097	--
06/30/96	3,201	2,610	(591)	122.6	1,140	--
06/30/97	3,732	2,850	(882)	130.9	1,264	--
06/30/98	4,299	3,435	(863)	125.2	1,293	--
06/30/99	4,685	3,866	(819)	121.2	1,401	--
06/30/00	4,985	4,167	(818)	119.6	1,342	--
06/30/01	5,286	4,527	(815)	118.2	1,468	--
06/30/02	5,464	4,854	(610)	112.6	1,471	--
06/30/03	5,397	5,901	505	91.4	1,317	38.3
06/30/04*	5,384	5,952	568	90.5	1,370	41.5
06/30/05	5,575	6,358	783	87.7	1,510	51.9
06/30/06	5,911	6,536	625	90.4	1,513	41.3

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Beginning July 1	Actuarial Valuation Date June 30	Annual Required Contribution	Percent Contributed
1994	1993	\$ 81,587	100 %
1995	1994	95,068	100
1996	1995	89,606	100
1997	1996	88,652	100
1998	1997	81,304	100
1999	1998	52,176	100
2000	1999	45,946	100
2001	2000	39,569	100
2002	2001	40,921	100
2003	2002	50,414	100
2004	2003	58,921	100
2005	2004	161,159	100
2006	2005	164,557	100

# Market value

\*\* Actuarial information is unavailable for these years.

For required supplementary information see Note 12.

\* During the year, the City increased pension benefits by 11.25%.



**CITY OF MARINE CITY**

**PENSION TRUST FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
(Continued)**

**June 30, 2007**

**(Per latest actuarial report dated June 30, 2006)**

The information presented on the previous page was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Actuarial Cost Method	Individual entry age
Amortization Method	Level percent, open
Remaining Amortization Period	20 years
Asset Valuation Method	Smoothed market value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	4.7 - 8.5%
Inflation Included in Increase	4.5%



## CITY OF MARINE CITY

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2007

The accompanying notes are an integral part of these financial statements.

	Capital Projects Fund	Debt Service Funds				Special Revenue Funds				Permanent Fund	Total Non-Major Funds
		Public Improvement Bonds	1991 Unlimited Tax Bonds- Series B	1992 Unlimited Tax Bonds- Series C	1992 Limited Tax Bonds	Retiree Health Fund	Woodlawn Cemetery	Library Fund	Cemetery Perpetual Care		
<b>ASSETS</b>											
Cash	\$ 344,143	\$ 8,079	\$ -	\$ 1,146	\$ 8,918	\$ 136,482	\$ 16,287	\$ 22,571	\$ 136,778	\$	\$ 674,404
Due from other funds	-	7,033	-	4,331	229	-	-	-	-	-	11,593
<b>TOTAL ASSETS</b>	<b>\$ 344,143</b>	<b>\$ 15,112</b>	<b>\$ -</b>	<b>\$ 5,477</b>	<b>\$ 9,147</b>	<b>\$ 136,482</b>	<b>\$ 16,287</b>	<b>\$ 22,571</b>	<b>\$ 136,778</b>	<b>\$</b>	<b>\$ 685,997</b>
<b>LIABILITIES AND FUND BALANCE</b>											
<b>Liabilities:</b>											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,150	\$ -	\$ -	\$	\$ 1,150
Accrued wages	-	-	-	-	-	-	629	-	-	-	629
Deferred revenue	-	6,961	-	395	229	-	-	-	-	-	7,585
Due to other funds	-	-	-	54	2,142	-	-	-	-	-	2,196
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>6,961</b>	<b>-</b>	<b>449</b>	<b>2,371</b>	<b>-</b>	<b>1,779</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,560</b>
<b>Fund Balance:</b>											
Reserved for debt retirement	-	8,151	-	5,028	6,776	-	-	-	-	-	19,955
Reserved for library	-	-	-	-	-	-	-	22,571	-	-	22,571
Reserved for perpetual care	-	-	-	-	-	-	-	-	136,778	-	136,778
Unreserved	344,143	-	-	-	-	136,482	14,508	-	-	-	495,133
<b>TOTAL FUND EQUITY</b>	<b>344,143</b>	<b>8,151</b>	<b>-</b>	<b>5,028</b>	<b>6,776</b>	<b>136,482</b>	<b>14,508</b>	<b>22,571</b>	<b>136,778</b>	<b>-</b>	<b>674,437</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 344,143</b>	<b>\$ 15,112</b>	<b>\$ -</b>	<b>\$ 5,477</b>	<b>\$ 9,147</b>	<b>\$ 136,482</b>	<b>\$ 16,287</b>	<b>\$ 22,571</b>	<b>\$ 136,778</b>	<b>\$</b>	<b>\$ 685,997</b>

See accompanying letter.

McBride, Manley  
& Miller P.C.

# CITY OF MARINE CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2007

	Capital Projects Fund	Debt Service Funds				Special Revenue Funds				Permanent Fund	Total Non-Major Funds
		Public Improvement Bonds	1991 Unlimited Tax Bonds- Series B	1992 Unlimited Tax Bonds- Series C	1992 Limited Tax Bonds	Retiree Health Fund	Woodlawn Cemetery	Library Fund	Cemetery Perpetual Care		
<b>Revenues:</b>											
Property taxes	\$ -	\$ 81,311	\$ 203	\$ 15,599	\$ 29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,142
Interest income	17,164	2,154	138	462	612	7,095	531	1,001	6,117		35,274
User fees and other charges	-	-	-	6,530	20,079	-	15,319	-	-	-	41,928
Other revenue	-	-	-	-	-	-	-	4,169	-	-	4,169
<b>TOTAL REVENUES</b>	<b>17,164</b>	<b>83,465</b>	<b>341</b>	<b>22,591</b>	<b>20,720</b>	<b>7,095</b>	<b>15,850</b>	<b>5,170</b>	<b>6,117</b>		<b>178,513</b>
<b>Other Financing Sources:</b>											
Transfers from other funds	21,275	-	-	-	-	-	16,970	-	-	-	38,245
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>38,439</b>	<b>83,465</b>	<b>341</b>	<b>22,591</b>	<b>20,720</b>	<b>7,095</b>	<b>32,820</b>	<b>5,170</b>	<b>6,117</b>		<b>216,758</b>
<b>Expenditures:</b>											
<b>Current:</b>											
General government	-	332	33	222	172	-	-	-	-	-	759
Cemetery operations	-	-	-	-	-	-	30,273	-	-	-	30,273
Debt service:											
Principal	-	75,000	-	20,000	20,000	-	-	-	-	-	115,000
Interest and other charges	-	5,502	-	2,700	2,000	-	-	-	-	-	10,202
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>80,834</b>	<b>33</b>	<b>22,922</b>	<b>22,172</b>	<b>-</b>	<b>30,273</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156,234</b>
<b>Other Financing Uses:</b>											
Transfers to other funds	66,994	-	3,168	-	-	29,851	-	-	-	-	100,013
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>66,994</b>	<b>80,834</b>	<b>3,201</b>	<b>22,922</b>	<b>22,172</b>	<b>29,851</b>	<b>30,273</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>256,247</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	<b>(28,555)</b>	<b>2,631</b>	<b>(2,860)</b>	<b>(331)</b>	<b>(1,452)</b>	<b>(22,756)</b>	<b>2,547</b>	<b>5,170</b>	<b>6,117</b>	<b>(39,489)</b>	
Fund Balances at July 1, 2006	372,698	5,520	2,860	5,359	8,228	159,238	11,961	17,401	130,661		713,926
<b>FUND BALANCES AT JUNE 30, 2007</b>	<b>\$ 344,143</b>	<b>\$ 8,151</b>	<b>\$ -</b>	<b>\$ 5,028</b>	<b>\$ 6,776</b>	<b>\$ 136,482</b>	<b>\$ 14,508</b>	<b>\$ 22,571</b>	<b>\$ 136,778</b>	<b>\$ 674,437</b>	

See accompanying letter.





# CITY OF MARINE CITY

## OTHER GOVERNMENTAL FUNDS

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>RETIREE HEALTH CARE</b>				
<b>Revenues:</b>				
Interest and penalties earned	\$ 3,500	\$ 3,500	\$ 7,095	\$ 3,595
<b>TOTAL REVENUES</b>	<b>3,500</b>	<b>3,500</b>	<b>7,095</b>	<b>3,595</b>
<b>Other Financing Uses:</b>				
Transfers to other funds	33,540	33,540	29,851	3,689
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(30,040)</b>	<b>(30,040)</b>	<b>(22,756)</b>	<b>7,284</b>
Fund Balance at July 1, 2006	159,238	159,238	159,238	-
<b>FUND BALANCE AT JUNE 30, 2007</b>	<b>\$ 129,198</b>	<b>\$ 129,198</b>	<b>\$ 136,482</b>	<b>\$ 7,284</b>
<b>WOODLAWN CEMETERY</b>				
<b>Revenues:</b>				
Interest and penalties earned	\$ 200	\$ 500	\$ 531	\$ 31
User fees and other charges	17,500	18,525	15,319	(3,206)
<b>TOTAL REVENUES</b>	<b>17,700</b>	<b>19,025</b>	<b>15,850</b>	<b>(3,175)</b>
<b>Other Financing Sources:</b>				
Transfers from other funds	16,960	16,960	16,970	10
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>34,660</b>	<b>35,985</b>	<b>32,820</b>	<b>(3,165)</b>
<b>Expenditures:</b>				
Cemetery operations	34,660	37,515	30,273	7,242
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>(1,530)</b>	<b>2,547</b>	<b>4,077</b>
Fund Balance at July 1, 2006	11,961	11,961	11,961	-
<b>FUND BALANCE AT JUNE 30, 2007</b>	<b>\$ 11,961</b>	<b>\$ 10,431</b>	<b>\$ 14,508</b>	<b>\$ 4,077</b>



# CITY OF MARINE CITY

## OTHER GOVERNMENTAL FUNDS

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Continued)

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>CEMETERY PERPETUAL CARE</b>				
<b>Revenues:</b>				
Interest and penalties earned	\$ 3,000	\$ 3,000	\$ 6,117	\$ 3,117
<b>TOTAL REVENUES</b>	<b>3,000</b>	<b>3,000</b>	<b>6,117</b>	<b>3,117</b>
Fund Balance at July 1, 2006	130,661	130,661	130,661	-
<b>FUND BALANCE AT JUNE 30, 2007</b>	<b>\$ 133,661</b>	<b>\$ 133,661</b>	<b>\$ 136,778</b>	<b>\$ 3,117</b>
<b>LIBRARY FUND</b>				
<b>Revenues:</b>				
Property taxes	\$ 400	\$ 400	\$ 1,001	\$ 601
Other revenue	-	4,170	4,169	(1)
<b>TOTAL REVENUES</b>	<b>400</b>	<b>4,570</b>	<b>5,170</b>	<b>600</b>
<b>Expenditures:</b>				
Supplies	775	775	-	775
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(375)</b>	<b>3,795</b>	<b>5,170</b>	<b>1,375</b>
Fund Balance at July 1, 2006	17,401	17,401	17,401	-
<b>FUND BALANCE AT JUNE 30, 2007</b>	<b>\$ 17,026</b>	<b>\$ 21,196</b>	<b>\$ 22,571</b>	<b>\$ 1,375</b>



# CITY OF MARINE CITY

## COMPONENT UNITS

### SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

For the year ended June 30, 2007

	Budget	Actual	Variance Favorable (Unfav.)
<b>T.I.F.A. #1</b>			
<b>Revenues:</b>			
Property taxes	\$ 69,000	\$ 68,752	\$ (248)
Interest	5,200	10,101	4,901
<b>TOTAL REVENUES</b>	<b>74,200</b>	<b>78,853</b>	<b>4,653</b>
<b>Expenditures:</b>			
Salaries	2,725	2,725	-
Payroll taxes	225	209	16
Retirement	325	317	8
Retiree health	225	55	170
Postage and supplies	610	555	55
Contractual	16,590	16,161	429
Advertising	750	742	8
Principal payment on bonds	20,000	20,000	-
Interest and agent fees	15,760	15,735	25
<b>TOTAL EXPENDITURES</b>	<b>57,210</b>	<b>56,499</b>	<b>711</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 16,990</b>	<b>\$ 22,354</b>	<b>\$ 5,364</b>
<b>T.I.F.A. #2</b>			
<b>Revenues:</b>			
Property taxes	\$ 77,500	\$ 77,842	\$ 342
Interest	8,000	19,213	11,213
<b>TOTAL REVENUES</b>	<b>85,500</b>	<b>97,055</b>	<b>11,555</b>
<b>Expenditures:</b>			
Professional service	3,625	745	2,880
Other financing uses - transfer to other funds	35,000	35,000	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>38,625</b>	<b>35,745</b>	<b>2,880</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 46,875</b>	<b>\$ 61,310</b>	<b>\$ 14,435</b>
<b>T.I.F.A. #3</b>			
<b>Revenues:</b>			
Property taxes	\$ 290,400	\$ 288,860	\$ (1,540)
Interest	21,000	53,507	32,507
<b>TOTAL REVENUES</b>	<b>311,400</b>	<b>342,367</b>	<b>30,967</b>
<b>Expenditures:</b>			
Advertising	550	-	550
Professional service	7,075	4,450	2,625
Other financing uses - transfer to other funds	225,000	150,320	74,680
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>232,625</b>	<b>154,770</b>	<b>77,855</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 78,775</b>	<b>\$ 187,597</b>	<b>\$ 108,822</b>



## CITY OF MARINE CITY

## SCHEDULE OF GENERAL FUND REVENUE AND OTHER FINANCING SOURCES

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance
402.000 CURRENT PROPERTY TAX	\$1,907,000.00	\$1,907,000.00	\$1,893,793.36	\$13,206.64
407.000 DELINQUENT PROP TAX	3,000.00	11,000.00	12,897.40	-1,897.40
437.000 PROPERTY TAX-IFT	30,800.00	30,800.00	30,842.41	-42.41
445.000 PENALTY & INTEREST-TAXES	10,000.00	19,000.00	19,463.55	-463.55
451.000 LICENSES	3,000.00	3,000.00	4,571.22	-1,571.22
452.000 CABLE TV FRANCHISE FEE	18,125.00	36,825.00	37,399.22	-574.22
456.000 TRAILER PARK FEE	175.00	175.00	130.00	45.00
477.000 PERMITS	23,000.00	23,000.00	19,136.00	3,864.00
507.000 FEDERAL GRANT-DRIVE SAFE	0.00	2,350.00	2,346.41	3.59
569.000 STATE GRANT-IDEP	0.00	34,000.00	35,933.53	-1,933.53
574.000 SALES TAX	508,000.00	508,000.00	501,218.00	6,782.00
574.001 TELECOMMUNICATIONS ROW FUNDS	13,800.00	13,800.00	12,663.17	1,136.83
575.000 LIQUOR LICENSE	3,900.00	3,900.00	4,077.15	-177.15
608.000 ZONING & VARIANCE FEE	500.00	500.00	400.00	100.00
610.000 SITE PLAN FEE	500.00	500.00	1,200.00	-700.00
628.000 RECREATION	20,000.00	20,000.00	18,114.00	1,886.00
629.000 RECREATION MILLAGE	17,000.00	17,000.00	19,380.23	-2,380.23
632.000 FIRE PROTECTION	140,000.00	140,000.00	134,157.94	5,842.06
640.000 REFUSE	191,575.00	191,575.00	190,635.48	939.52
641.000 CHARGE FOR SERVICES	16,000.00	16,000.00	12,350.24	3,649.76
650.000 MISCELLANEOUS REVENUE	20,000.00	31,930.00	29,781.36	2,148.64
652.000 WEED CUTTING SERVICES	525.00	525.00	1,488.52	-963.52
655.000 COURT FINES	22,000.00	22,000.00	25,809.30	-3,809.30
656.000 CRIMINAL OFFENSE REG. FEES	300.00	300.00	35.00	265.00
665.000 INTEREST	30,000.00	67,000.00	67,286.81	-286.81
666.000 INTEREST-SPECIAL ASSESSMENT	100.00	100.00	112.02	-12.02
667.000 RENT	45,000.00	45,000.00	45,195.13	-195.13
667.001 CELLULAR TOWER LEASE	7,000.00	9,100.00	9,100.00	0.00
674.000 DONATIONS	500.00	500.00	0.00	500.00
677.000 FUNDING FOR CAPITAL LEASES	165,000.00	170,255.00	70,454.85	99,800.15
699.000 CONT. FROM OTHER FUNDS	164,905.00	241,250.00	149,729.00	91,521.00
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<b>\$3,361,705.00</b>	<b>\$3,566,385.00</b>	<b>\$3,349,701.30</b>	<b>\$216,683.70</b>



## CITY OF MARINE CITY

## SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance
<b>City Commission:</b>				
704.000 OFFICIALS COMPENSATION	6,000.00	6,000.00	5,866.67	133.33
715.000 FICA-EMPLOYER	460.00	460.00	448.80	11.20
728.000 POSTAGE	25.00	25.00	0.00	25.00
729.000 PRINTING	225.00	225.00	178.58	46.42
730.000 PUBLICATIONS	60.00	60.00	0.00	60.00
740.000 GENERAL SUPPLY	150.00	150.00	0.00	150.00
803.000 DUES/MEMBERSHIPS	4,525.00	4,525.00	4,043.00	482.00
868.000 LODGING	200.00	0.00	0.00	0.00
869.000 MEALS	250.00	0.00	0.00	0.00
870.000 TRAVEL EXPENSE	250.00	0.00	0.00	0.00
880.000 COMMUNITY PROMOTION	3,200.00	3,200.00	1,229.19	1,970.81
959.000 TRAINING/TUITION	500.00	0.00	0.00	0.00
<b>Total City Commission</b>	<b>15,845.00</b>	<b>14,645.00</b>	<b>11,766.24</b>	<b>2,878.76</b>
<b>City Manager:</b>				
702.000 WAGES-FULL TIME	49,000.00	46,505.00	46,503.83	1.17
703.000 WAGES-PART TIME	0.00	3,680.00	3,675.50	4.50
706.000 VEHICLE ALLOWANCE	4,200.00	4,200.00	3,590.32	609.68
715.000 FICA-EMPLOYER	4,075.00	4,115.00	4,113.37	1.63
716.000 HOSPITAL INSURANCE	15,450.00	14,200.00	13,572.25	627.75
717.000 LIFE INSURANCE	395.00	395.00	350.40	44.60
718.000 RETIREMENT	5,725.00	5,650.00	5,413.08	236.92
722.000 EMPLOYER RETIREE HLTH INS CONT	0.00	15.00	11.31	3.69
727.000 OFFICE SUPPLY	575.00	650.00	592.20	57.80
728.000 POSTAGE	75.00	75.00	61.70	13.30
729.000 PRINTING	300.00	300.00	159.19	140.81
781.000 EQUIPMENT MAINTENANCE	250.00	260.00	257.50	2.50
803.000 DUES/MEMBERSHIPS	575.00	575.00	560.00	15.00
853.000 PHONE EXPENSE	1,300.00	1,300.00	979.14	320.86
869.000 MEALS	1,150.00	1,150.00	1,016.39	133.61
<b>Total City Manager</b>	<b>83,070.00</b>	<b>83,070.00</b>	<b>80,856.18</b>	<b>2,213.82</b>
<b>Assessor:</b>				
704.000 OFFICIALS COMPENSATION	0.00	1,090.00	1,087.50	2.50
727.000 OFFICE SUPPLY	350.00	790.00	785.43	4.65
728.000 POSTAGE	1,150.00	1,130.00	1,013.43	116.57
729.000 PRINTING	400.00	425.00	423.22	1.78
781.000 EQUIPMENT MAINTENANCE	400.00	140.00	0.00	140.00
802.000 CONTRACTUAL SERV.	30,950.00	30,950.00	29,665.00	1,285.00
853.000 PHONE EXPENSE	775.00	700.00	568.87	131.13
901.000 ADVERTISING	500.00	500.00	477.00	23.00
704.000 OFFICIALS COMPENSATION - BOARD OF REVIEW	1,200.00	0.00	0.00	0.00
959.000 TRAINING/TUITION	0.00	225.00	0.00	225.00
<b>Total Assessor</b>	<b>35,725.00</b>	<b>35,950.00</b>	<b>34,020.45</b>	<b>1,929.63</b>
<b>Legal and Professional:</b>				
801.000 PROFESSIONAL SERV.	132,000.00	138,000.00	141,853.50	-3,853.50



**CITY OF MARINE CITY**  
**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**For the Year Ended June 30, 2007**

	Original Budget	Amended Budget	Actual	Variance
<b>City Clerk:</b>				
702.000 WAGES-FULL TIME	23,725.00	25,725.00	25,604.76	120.24
703.000 WAGES-PART TIME	5,500.00	5,925.00	5,919.25	5.75
708.000 LONGEVITY	650.00	650.00	650.00	0.00
715.000 FICA-EMPLOYER	1,875.00	2,500.00	2,008.79	491.21
716.000 HOSPITAL INSURANCE	13,055.00	14,080.00	14,062.62	17.38
717.000 LIFE INSURANCE	260.00	260.00	225.60	34.40
718.000 RETIREMENT	2,850.00	3,075.00	3,052.06	22.94
722.000 EMPLOYER RETIREE HLTH INS CONT	500.00	610.00	607.67	2.33
727.000 OFFICE SUPPLY	2,000.00	1,880.00	1,549.44	330.56
728.000 POSTAGE	2,500.00	2,535.00	2,532.90	2.10
729.000 PRINTING	2,100.00	2,600.00	2,359.54	240.37
730.000 PUBLICATIONS	50.00	50.00	0.00	50.00
740.000 GENERAL SUPPLY	2,600.00	2,600.00	1,917.80	682.22
753.000 FURNISHING/HOUSEHOLD	100.00	100.00	0.00	100.00
781.000 EQUIPMENT MAINTENANCE	500.00	500.00	0.00	500.00
802.000 CONTRACTUAL SERV.	250.00	250.00	240.00	10.00
803.000 DUES/MEMBERSHIPS	300.00	300.00	215.00	85.00
807.000 REGISTRATION FEES	75.00	75.00	14.00	61.00
853.000 PHONE EXPENSE	1,500.00	1,500.00	1,481.74	18.26
868.000 LODGING	500.00	0.00	0.00	0.00
869.000 MEALS	800.00	800.00	484.62	315.38
870.000 TRAVEL EXPENSE	700.00	700.00	568.26	131.74
901.000 ADVERTISING	7,500.00	8,350.00	8,201.52	148.48
959.000 TRAINING/TUITION	800.00	0.00	0.00	0.00
<b>Total City Clerk</b>	<b>70,690.00</b>	<b>75,065.00</b>	<b>71,695.57</b>	<b>3,369.36</b>
<b>City Treasurer:</b>				
702.000 WAGES-FULL TIME	50,650.00	52,450.00	52,379.84	70.16
708.000 LONGEVITY	1,300.00	1,300.00	1,300.00	0.00
715.000 FICA-EMPLOYER	3,975.00	4,125.00	4,106.51	18.49
716.000 HOSPITAL INSURANCE	44,125.00	45,945.00	45,927.35	17.65
717.000 LIFE INSURANCE	525.00	485.00	484.80	0.20
718.000 RETIREMENT	6,050.00	6,275.00	6,240.09	34.91
722.000 EMPLOYER RETIREE HLTH INS CONT	1,050.00	1,255.00	1,252.44	2.56
727.000 OFFICE SUPPLY	2,000.00	3,200.00	3,079.87	120.15
728.000 POSTAGE	3,150.00	2,955.00	2,954.42	0.58
729.000 PRINTING	1,500.00	2,260.00	1,896.75	363.25
730.000 PUBLICATIONS	75.00	75.00	62.94	12.06
781.000 EQUIPMENT MAINTENANCE	600.00	490.00	483.50	6.48
802.000 CONTRACTUAL SERV.	5,325.00	5,300.00	5,298.00	2.00
803.000 DUES/MEMBERSHIPS	375.00	365.00	365.00	0.00
805.000 SERVICE CHARGES	125.00	120.00	115.22	4.78
853.000 PHONE EXPENSE	1,300.00	1,075.00	1,048.71	26.29
868.000 LODGING	350.00	205.00	204.75	0.25
869.000 MEALS	100.00	45.00	43.31	1.69
870.000 TRAVEL EXPENSE	250.00	295.00	292.56	2.44
959.000 TRAINING/TUITION	550.00	225.00	225.00	0.00
970.000 CAPITAL OUTLAY	475.00	775.00	775.00	0.00
<b>Total City Treasurer</b>	<b>123,850.00</b>	<b>129,220.00</b>	<b>128,536.06</b>	<b>683.94</b>



**CITY OF MARINE CITY**  
**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**For the Year Ended June 30, 2007**

	Original Budget	Amended Budget	Actual	Variance
<b>Buildings and Grounds:</b>				
702.000 WAGES-FULL TIME	15,145.00	15,145.00	10,164.70	4,980.30
703.000 WAGES-PART TIME	2,000.00	2,000.00	527.72	1,472.28
715.000 FICA-EMPLOYER	1,325.00	1,325.00	818.03	506.97
718.000 RETIREMENT	1,770.00	1,770.00	1,169.75	600.25
722.000 EMPLOYER RETIREE HLTH INS CONT	320.00	320.00	216.47	103.53
727.000 OFFICE SUPPLY	1,475.00	1,475.00	1,147.12	327.96
740.000 GENERAL SUPPLY	2,000.00	1,975.00	1,203.52	771.48
781.000 EQUIPMENT MAINTENANCE	150.00	150.00	0.00	150.00
801.000 PROFESSIONAL SERV.	5,000.00	5,000.00	170.40	4,829.60
802.000 CONTRACTUAL SERV.	28,350.00	47,050.00	45,514.38	1,535.62
805.000 SERVICE CHARGES	0.00	25.00	25.00	0.00
921.000 ELECTRIC	10,000.00	10,000.00	6,235.16	3,764.84
923.000 NATURAL GAS	7,500.00	7,500.00	4,509.39	2,990.61
931.000 GENERAL REPAIRS	2,200.00	2,200.00	220.88	1,979.12
933.000 BUILDING REPAIR	5,500.00	5,500.00	1,049.69	4,450.31
943.000 EQUIPMENT LEASE	5,300.00	5,300.00	5,101.56	198.44
999.000 CONTRIBUTION TO OTHER FUNDS	10,000.00	10,000.00	10,000.00	0.00
<b>Total Buildings and Grounds</b>	<b>98,035.00</b>	<b>116,735.00</b>	<b>88,073.77</b>	<b>28,661.31</b>
<b>Watershed Council:</b>				
702.000 WAGES-FULL TIME	5,475.00	3,000.00	2,449.11	550.89
715.000 FICA-EMPLOYER	425.00	250.00	187.41	62.59
718.000 RETIREMENT	650.00	350.00	271.84	78.16
722.000 EMPLOYER RETIREE HLTH INS CONT	125.00	10.00	1.56	8.44
728.000 POSTAGE	45.00	45.00	4.64	40.36
729.000 PRINTING	20.00	20.00	0.00	20.00
730.000 PUBLICATIONS	300.00	300.00	0.00	300.00
740.000 GENERAL SUPPLY	50.00	50.00	0.00	50.00
781.000 EQUIPMENT MAINTENANCE	50.00	50.00	0.00	50.00
801.000 PROFESSIONAL SERV.	6,200.00	27,435.00	27,433.27	1.73
802.000 CONTRACTUAL SERV.	30,000.00	26,565.00	0.00	26,565.00
822.000 PERMIT FEES	4,000.00	4,000.00	2,249.03	1,750.97
870.000 TRAVEL EXPENSE	1,000.00	0.00	0.00	0.00
880.000 COMMUNITY PROMOTION	1,200.00	0.00	0.00	0.00
959.000 TRAINING/TUITION	100.00	0.00	0.00	0.00
<b>Total Watershed Council</b>	<b>49,640.00</b>	<b>62,075.00</b>	<b>32,596.86</b>	<b>29,478.14</b>
<b>Police:</b>				
702.000 WAGES-FULL TIME	493,990.00	474,645.00	462,395.19	12,249.81
705.000 OVERTIME WAGES	92,000.00	88,960.00	76,422.95	12,537.05
708.000 LONGEVITY	4,725.00	4,725.00	4,725.00	0.00
715.000 FICA-EMPLOYER	47,365.00	45,000.00	42,216.18	2,783.82
716.000 HOSPITAL INSURANCE	125,860.00	143,160.00	143,159.14	0.86
717.000 LIFE INSURANCE	2,010.00	2,010.00	1,785.60	224.40
718.000 RETIREMENT	71,135.00	67,135.00	62,076.41	5,058.59
722.000 EMPLOYER RETIREE HLTH INS CONT	12,235.00	12,355.00	12,353.43	1.57
725.000 PHYSICAL EXAMS	600.00	600.00	0.00	600.00
727.000 OFFICE SUPPLY	2,400.00	4,555.00	3,523.00	1,032.00
728.000 POSTAGE	1,200.00	1,170.00	1,131.14	38.86
729.000 PRINTING	1,000.00	1,000.00	765.62	234.38
730.000 PUBLICATIONS	160.00	160.00	20.95	139.05
740.000 GENERAL SUPPLY	2,700.00	2,700.00	1,787.65	912.35
741.000 FUEL	13,000.00	14,500.00	13,135.38	1,364.62
742.000 FIREARM SUPPLIES	3,200.00	2,325.00	1,108.42	1,216.58
744.000 CLOTHING	4,500.00	4,500.00	3,123.03	1,376.97
749.000 LAUNDRY/CLEAN	750.00	750.00	394.35	355.65
753.000 FURNISHING/HOUSEHOLD	700.00	700.00	508.00	192.00
781.000 EQUIPMENT MAINTENANCE	1,900.00	1,900.00	550.00	1,350.00
801.000 PROFESSIONAL SERV.	1,000.00	2,900.00	2,900.00	0.00
802.000 CONTRACTUAL SERV.	40,800.00	40,800.00	37,388.12	3,411.88
803.000 DUES/MEMBERSHIPS	200.00	200.00	190.00	10.00
804.000 WITNESS FEES	50.00	50.00	12.00	38.00
805.000 SERVICE CHARGES	200.00	200.00	1.00	199.00
807.000 REGISTRATION FEES	250.00	250.00	25.00	225.00
851.000 RADIO MAINTENANCE	750.00	750.00	0.00	750.00
853.000 PHONE EXPENSE	14,700.00	14,700.00	10,822.21	3,877.89
863.000 VEHICLE MAINTENANCE	10,000.00	26,055.00	25,572.83	482.17
868.000 LODGING	375.00	375.00	271.20	103.80
869.000 MEALS	375.00	375.00	0.00	375.00
870.000 TRAVEL EXPENSE	200.00	200.00	119.00	81.00
921.000 ELECTRIC	5,000.00	5,000.00	4,142.29	857.71
923.000 NATURAL GAS	6,000.00	6,000.00	2,276.43	3,723.57
933.000 BUILDING REPAIR	2,000.00	2,000.00	82.40	1,917.60
941.000 BUILDING LEASE	27,600.00	27,600.00	27,600.00	0.00
943.000 EQUIPMENT LEASE	0.00	4,530.00	4,527.60	2.40
957.000 MISCELLANEOUS EXPENSE	0.00	150.00	150.00	0.00
959.000 TRAINING/TUITION	4,000.00	4,875.00	4,837.50	37.50
970.000 CAPITAL OUTLAY	0.00	7,415.00	7,414.85	0.16
970.300 MAJOR REPAIR/REPLACE	21,728.00	35,863.00	34,853.00	1,010.00
995.000 INTEREST EXPENSE	0.00	1,885.00	1,882.21	2.79
999.000 CONTRIBUTION TO OTHER FUNDS	10,000.00	10,000.00	10,000.00	0.00
<b>Total Police</b>	<b>1,026,658.00</b>	<b>1,065,023.00</b>	<b>1,006,249.08</b>	<b>58,774.03</b>



**CITY OF MARINE CITY**  
**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**For the Year Ended June 30, 2007**

	Original Budget	Amended Budget	Actual	Variance
<b>Fire:</b>				
702.000 WAGES-FULL TIME	47,300.00	49,110.00	49,109.76	0.24
703.000 WAGES-PART TIME	96,000.00	92,450.00	88,258.12	4,191.88
708.000 LONGEVITY	650.00	650.00	650.00	0.00
711.000 FIRE DEPARTMENT DEATH BENEFIT	3,000.00	3,000.00	1,000.00	2,000.00
715.000 FICA-EMPLOYER	11,025.00	11,025.00	10,558.21	466.79
716.000 HOSPITAL INSURANCE	12,725.00	13,945.00	12,856.68	1,088.32
717.000 LIFE INSURANCE	1,950.00	1,935.00	1,649.00	286.00
718.000 RETIREMENT	5,600.00	5,785.00	5,784.15	0.85
722.000 EMPLOYER RETIREE HLTH INS CONT	975.00	1,165.00	1,163.07	1.93
725.000 PHYSICAL EXAMS	2,100.00	2,100.00	1,092.00	1,008.00
727.000 OFFICE SUPPLY	800.00	800.00	288.98	511.02
728.000 POSTAGE	110.00	110.00	40.39	69.61
729.000 PRINTING	300.00	300.00	70.00	230.00
730.000 PUBLICATIONS	300.00	300.00	89.95	210.05
740.000 GENERAL SUPPLY	3,200.00	3,200.00	2,679.45	520.55
741.000 FUEL	3,000.00	3,080.00	3,077.57	2.43
744.000 CLOTHING	11,000.00	11,000.00	3,967.01	7,033.00
749.000 LAUNDRY/CLEAN	100.00	100.00	0.00	100.00
753.000 FURNISHING/HOUSEHOLD	150.00	150.00	0.00	150.00
780.000 CUSTODIAL SUPPLY	750.00	950.00	691.02	258.97
781.000 EQUIPMENT MAINTENANCE	2,500.00	2,500.00	944.28	1,555.72
801.000 PROFESSIONAL SERV.	320.00	320.00	0.00	320.00
802.000 CONTRACTUAL SERV.	4,700.00	4,700.00	2,204.61	2,495.39
803.000 DUES/MEMBERSHIPS	500.00	500.00	330.00	170.00
805.000 SERVICE CHARGES	25.00	25.00	4.99	20.01
807.000 REGISTRATION FEES	50.00	50.00	40.00	10.00
851.000 RADIO MAINTENANCE	2,750.00	2,750.00	1,465.00	1,285.00
853.000 PHONE EXPENSE	9,800.00	9,800.00	2,868.59	6,931.41
863.000 VEHICLE MAINTENANCE	11,000.00	11,000.00	9,267.35	1,732.65
868.000 LODGING	100.00	100.00	0.00	100.00
869.000 MEALS	200.00	200.00	29.34	170.66
870.000 TRAVEL EXPENSE	100.00	100.00	0.00	100.00
880.000 COMMUNITY PROMOTION	550.00	550.00	154.25	395.75
901.000 ADVERTISING	100.00	480.00	475.66	4.34
921.000 ELECTRIC	8,700.00	8,700.00	8,332.59	367.41
923.000 NATURAL GAS	5,300.00	5,300.00	3,989.15	1,310.85
933.000 BUILDING REPAIR	4,200.00	4,000.00	2,051.37	1,948.63
943.000 EQUIPMENT LEASE	26,500.00	26,500.00	26,485.67	14.33
957.000 MISCELLANEOUS EXPENSE	1,100.00	1,100.00	1,100.00	0.00
959.000 TRAINING/TUITION	5,000.00	5,000.00	708.65	4,291.35
970.000 CAPITAL OUTLAY	165,000.00	164,700.00	94,200.00	70,500.00
970.900 NON-MOTORIZED EQUIPMENT	12,000.00	12,000.00	8,537.00	3,463.00
995.000 INTEREST EXPENSE	8,335.00	8,335.00	8,332.99	2.01
999.000 CONTRIBUTION TO OTHER FUNDS	21,500.00	21,500.00	21,500.00	0.00
<b>Total Fire</b>	<b>491,365.00</b>	<b>491,365.00</b>	<b>376,046.85</b>	<b>115,318.15</b>
<b>Inspections:</b>				
702.000 WAGES-FULL TIME	30,925.00	16,100.00	14,329.46	1,770.54
708.000 LONGEVITY	175.00	0.00	0.00	0.00
715.000 FICA-EMPLOYER	2,375.00	2,375.00	1,096.21	1,278.79
716.000 HOSPITAL INSURANCE	15,450.00	6,500.00	6,213.45	286.55
717.000 LIFE INSURANCE	225.00	225.00	49.20	175.80
718.000 RETIREMENT	3,600.00	3,600.00	1,551.64	2,048.36
722.000 EMPLOYER RETIREE HLTH INS CONT	625.00	15.00	10.77	4.23
727.000 OFFICE SUPPLY	800.00	925.00	905.54	19.46
728.000 POSTAGE	400.00	300.00	264.32	35.68
729.000 PRINTING	300.00	300.00	231.39	68.54
730.000 PUBLICATIONS	150.00	150.00	0.00	150.00
740.000 GENERAL SUPPLY	400.00	400.00	17.53	382.47
741.000 FUEL	600.00	350.00	233.44	116.56
781.000 EQUIPMENT MAINTENANCE	300.00	175.00	0.00	175.00
801.000 PROFESSIONAL SERV.	4,000.00	2,090.00	0.00	2,090.00
802.000 CONTRACTUAL SERV.	19,050.00	40,960.00	40,959.89	0.11
803.000 DUES/MEMBERSHIPS	400.00	400.00	320.00	80.00
853.000 PHONE EXPENSE	1,300.00	890.00	728.85	161.15
863.000 VEHICLE MAINTENANCE	500.00	500.00	47.00	453.00
868.000 LODGING	450.00	0.00	0.00	0.00
869.000 MEALS	200.00	0.00	0.00	0.00
870.000 TRAVEL EXPENSE	450.00	450.00	385.37	64.63
901.000 ADVERTISING	200.00	1,100.00	1,096.96	3.04
959.000 TRAINING/TUITION	400.00	1,400.00	1,230.00	170.00
970.000 CAPITAL OUTLAY	0.00	1,655.00	1,653.50	1.50
<b>Total Inspections</b>	<b>83,275.00</b>	<b>80,860.00</b>	<b>71,324.52</b>	<b>9,535.41</b>



**McBride, Manley  
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## CITY OF MARINE CITY

## SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance
<b>General Maintenance/Public Works:</b>				
702.000 WAGES-FULL TIME	238,870.00	271,310.00	225,927.58	45,382.42
703.000 WAGES-PART TIME	4,500.00	500.00	285.45	214.55
708.000 LONGEVITY	4,525.00	4,525.00	4,525.00	0.00
715.000 FICA-EMPLOYER	19,015.00	21,265.00	17,602.92	3,662.08
716.000 HOSPITAL INSURANCE	93,360.00	97,560.00	97,558.05	1.95
717.000 LIFE INSURANCE	1,420.00	1,420.00	1,320.00	100.00
718.000 RETIREMENT	26,515.00	30,415.00	24,810.26	5,604.74
722.000 EMPLOYER RETIREE HLTH INS CONT	4,900.00	5,550.00	5,492.01	57.99
727.000 OFFICE SUPPLY	2,200.00	2,200.00	464.06	1,735.94
728.000 POSTAGE	75.00	75.00	13.45	61.55
729.000 PRINTING	125.00	125.00	0.00	125.02
730.000 PUBLICATIONS	250.00	250.00	49.00	201.00
740.000 GENERAL SUPPLY	5,200.00	5,200.00	2,534.64	2,665.36
744.000 CLOTHING	5,880.00	5,880.00	5,097.75	782.25
751.000 FUEL	17,000.00	19,060.00	19,051.93	8.07
780.000 CUSTODIAL SUPPLY	300.00	300.00	0.00	300.00
781.000 EQUIPMENT MAINTENANCE	4,700.00	5,300.00	5,197.73	102.26
802.000 CONTRACTUAL SERV.	1,975.00	1,975.00	806.15	1,168.85
803.000 DUES/MEMBERSHIPS	600.00	600.00	383.50	216.50
805.000 SERVICE CHARGES	150.00	150.00	147.50	2.50
817.000 CDL CONSORTIUM FEE	600.00	600.00	420.00	180.00
853.000 PHONE EXPENSE	4,700.00	4,700.00	4,277.76	422.24
863.000 VEHICLE MAINTENANCE	15,000.00	14,400.00	11,020.71	3,379.29
869.000 MEALS	850.00	850.00	765.92	84.08
870.000 TRAVEL EXPENSE	1,000.00	1,000.00	641.75	358.25
901.000 ADVERTISING	315.00	315.00	33.13	281.87
921.000 ELECTRIC	6,065.00	6,065.00	5,282.00	783.00
923.000 NATURAL GAS	8,500.00	8,500.00	6,881.09	1,618.91
931.000 GENERAL REPAIRS	1,700.00	1,700.00	1,264.08	435.91
933.000 BUILDING REPAIR	2,500.00	5,000.00	4,181.26	818.74
946.000 EQUIPMENT LEASE	13,950.00	13,950.00	13,941.47	8.53
959.000 TRAINING/TUITION	2,000.00	2,000.00	658.00	1,342.00
970.300 MAJOR REPAIR/REPLACE	0.00	15,000.00	14,966.50	33.50
995.000 INTEREST EXPENSE	2,900.00	2,900.00	2,875.74	24.26
<b>Total General Maintenance/Public Works</b>	<b>491,640.00</b>	<b>550,640.00</b>	<b>478,476.39</b>	<b>72,163.61</b>
<b>Street Lighting:</b>				
926.000 STREET LIGHTING	78,000.00	79,000.00	78,243.88	756.12
<b>Refuse:</b>				
802.000 CONTRACTUAL SERV.	199,200.00	199,200.00	198,224.28	975.72
<b>Community and Economic Development:</b>				
728.000 POSTAGE	500.00	500.00	109.06	390.94
729.000 PRINTING	250.00	250.00	70.61	179.39
730.000 PUBLICATIONS	50.00	50.00	0.00	50.00
740.000 GENERAL SUPPLY	25.00	25.00	0.00	25.00
801.000 PROFESSIONAL SERV.	26,000.00	26,000.00	24,018.49	1,981.51
869.000 MEALS	75.00	75.00	0.00	75.00
870.000 TRAVEL EXPENSE	100.00	100.00	0.00	100.00
901.000 ADVERTISING	1,000.00	1,000.00	221.16	778.84
959.000 TRAINING/TUITION	350.00	125.00	7.00	118.00
<b>Total Community and Economic Development</b>	<b>28,350.00</b>	<b>28,125.00</b>	<b>24,426.32</b>	<b>3,698.68</b>



McBride, Manley  
& Müller P.C.

**CITY OF MARINE CITY**  
**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**For the Year Ended June 30, 2007**

	Original Budget	Amended Budget	Actual	Variance
<b>Recreation:</b>				
703.000 WAGES-PART TIME	53,000.00	52,990.00	46,625.01	6,364.99
715.000 FICA-EMPLOYER	4,100.00	4,100.00	3,566.85	533.15
718.000 RETIREMENT	1,725.00	1,735.00	1,734.75	0.25
727.000 OFFICE SUPPLY	275.00	405.00	397.19	7.66
728.000 POSTAGE	75.00	75.00	46.74	28.26
729.000 PRINTING	160.00	330.00	290.78	39.22
740.000 GENERAL SUPPLY	9,500.00	9,200.00	4,224.20	4,975.80
802.000 CONTRACTUAL SERV.	12,962.00	12,962.00	12,801.01	160.99
803.000 DUES/MEMBERSHIPS	270.00	270.00	270.00	0.00
853.000 PHONE EXPENSE	1,375.00	1,375.00	1,129.46	245.54
868.000 LODGING	300.00	300.00	0.00	300.00
869.000 MEALS	275.00	400.00	382.54	17.46
870.000 TRAVEL EXPENSE	50.00	50.00	0.00	50.00
880.000 COMMUNITY PROMOTION	100.00	100.00	0.00	100.00
901.000 ADVERTISING	360.00	460.00	414.25	45.75
959.000 TRAINING/TUITION	750.00	625.00	150.00	475.00
<b>Total Recreation</b>	<b>85,277.00</b>	<b>85,377.00</b>	<b>72,032.78</b>	<b>13,344.07</b>
<b>Parks and Beach:</b>				
702.000 WAGES-FULL TIME	13,200.00	28,105.00	25,659.48	2,445.52
703.000 WAGES-PART TIME	40,000.00	37,000.00	34,312.82	2,687.18
715.000 FICA-EMPLOYER	4,100.00	5,000.00	4,588.05	411.95
718.000 RETIREMENT	1,550.00	3,350.00	2,978.13	371.87
722.000 EMPLOYER RETIREE HLTH INS CONT	275.00	695.00	693.67	1.33
740.000 GENERAL SUPPLY	5,000.00	5,000.00	4,259.42	740.57
802.000 CONTRACTUAL SERV.	5,700.00	5,700.00	4,386.21	1,313.79
853.000 PHONE EXPENSE	500.00	875.00	632.87	242.13
921.000 ELECTRIC	1,000.00	1,150.00	1,078.60	71.40
931.000 GENERAL REPAIRS	3,200.00	3,200.00	443.50	2,756.50
933.000 BUILDING REPAIR	1,100.00	1,100.00	0.00	1,100.00
970.300 MAJOR REPAIR/REPLACE	35,000.00	40,075.00	5,061.12	35,013.88
<b>Total Parks and Beach</b>	<b>110,625.00</b>	<b>131,250.00</b>	<b>84,093.87</b>	<b>47,156.12</b>
<b>Safety Program:</b>				
727.000 OFFICE SUPPLY	50.00	50.00	0.00	50.00
728.000 POSTAGE	25.00	25.00	0.00	25.00
740.000 GENERAL SUPPLY	1,000.00	1,000.00	68.40	931.60
781.000 EQUIPMENT MAINTENANCE	1,400.00	1,400.00	894.96	505.04
868.000 LODGING	250.00	250.00	0.00	250.00
869.000 MEALS	100.00	100.00	0.00	100.00
870.000 TRAVEL EXPENSE	150.00	150.00	0.00	150.00
959.000 TRAINING/TUITION	400.00	400.00	0.00	400.00
<b>Total Safety Program</b>	<b>3,375.00</b>	<b>3,375.00</b>	<b>963.36</b>	<b>2,411.64</b>
<b>Library:</b>				
740.000 GENERAL SUPPLY	500.00	500.00	134.38	365.62
802.000 CONTRACTUAL SERV.	7,200.00	7,200.00	6,509.66	690.34
853.000 PHONE EXPENSE	1,700.00	1,700.00	1,480.54	219.46
921.000 ELECTRIC	5,000.00	5,170.00	5,167.74	2.26
923.000 NATURAL GAS	900.00	900.00	728.32	171.68
931.000 GENERAL REPAIRS	850.00	850.00	0.00	850.00
933.000 BUILDING REPAIR	2,200.00	2,030.00	82.53	1,947.47
<b>Total Library</b>	<b>18,350.00</b>	<b>18,350.00</b>	<b>14,103.17</b>	<b>4,246.83</b>



**McBride, Manley  
& Müller P.C.**

## CITY OF MARINE CITY

## SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance
<b><i>Insurance and Unemployment:</i></b>				
710.000 UNEMPLOYMENT	500.00	9,000.00	6,880.65	2,119.35
720.000 WORKERS COMP	17,000.00	17,000.00	16,271.95	728.05
912.000 LIABILITY INSURANCE	<u>75,000.00</u>	<u>87,000.00</u>	<u>86,890.20</u>	<u>109.80</u>
<b><i>Total Insurance and Unemployment</i></b>	<u>92,500.00</u>	<u>113,000.00</u>	<u>110,042.80</u>	<u>2,957.20</u>
<b><i>Special Projects:</i></b>				
740.000 GENERAL SUPPLY	46,800.00	62,260.00	35,074.75	27,185.25
802.000 CONTRACTUAL SERV.	20,000.00	25,000.00	24,667.00	333.00
802.200 CONT SERV-BRIDGE TO BAY	0.00	1,175.00	1,166.60	8.38
957.000 MISCELLANEOUS EXPENSE	0.00	550.00	550.00	0.00
962.000 PROPERTY TAX	7,000.00	17,840.00	17,836.87	3.13
999.000 CONTRIBUTION TO OTHER FUNDS	<u>20,435.00</u>	<u>20,435.00</u>	<u>20,435.00</u>	<u>0.00</u>
<b><i>Total Special Projects</i></b>	<u>94,235.00</u>	<u>127,260.00</u>	<u>99,730.22</u>	<u>27,529.76</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u><u>3,411,705.00</u></u>	<u><u>3,627,585.00</u></u>	<u><u>3,203,356.15</u></u>	<u><u>424,228.80</u></u>



## CITY OF MARINE CITY

## SCHEDULE OF WATER AND SEWER FUND EXPENSES AND OTHER FINANCING USES

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance
<b>General Administrative - Sewer:</b>				
702.000 WAGES-FULL TIME	47,725.00	48,825.00	48,817.82	7.18
703.000 WAGES-PART TIME	0.00	1,200.00	779.13	420.87
715.000 FICA-EMPLOYER	3,675.00	3,850.00	3,794.37	55.63
718.000 RETIREMENT	5,575.00	5,700.00	5,676.08	23.92
720.000 WORKERS COMP	3,800.00	3,800.00	3,726.38	73.62
722.000 EMPLOYER RETIREE HLTH INS CONT	975.00	1,000.00	909.98	90.02
727.000 OFFICE SUPPLY	900.00	900.00	576.68	323.33
728.000 POSTAGE	1,700.00	1,700.00	1,356.76	343.24
729.000 PRINTING	1,000.00	1,000.00	526.82	473.17
781.000 EQUIPMENT MAINTENANCE	550.00	350.00	241.75	108.19
801.000 PROFESSIONAL SERV.	4,500.00	4,500.00	4,499.00	1.00
802.000 CONTRACTUAL SERV.	9,300.00	9,300.00	7,953.00	1,347.00
853.000 PHONE EXPENSE	400.00	400.00	284.40	115.60
912.000 LIABILITY INSURANCE	6,500.00	7,875.00	7,851.53	23.47
943.000 EQUIPMENT LEASE	100.00	100.00	74.93	25.07
957.000 MISCELLANEOUS EXPENSE	50.00	50.00	0.00	50.00
995.000 INTEREST EXPENSE	11,750.00	11,750.00	11,625.00	125.00
<b>Total General Administrative - Sewer</b>	<b>98,500.00</b>	<b>102,300.00</b>	<b>98,693.63</b>	<b>3,606.31</b>
<b>System Maintenance - Sewer:</b>				
702.000 WAGES-FULL TIME	9,955.00	9,955.00	3,013.76	6,941.24
703.000 WAGES-PART TIME	100.00	100.00	0.00	100.00
715.000 FICA-EMPLOYER	790.00	790.00	230.55	559.45
718.000 RETIREMENT	1,175.00	1,175.00	350.82	824.18
722.000 EMPLOYER RETIREE HLTH INS CONT	205.00	205.00	60.26	144.74
740.000 GENERAL SUPPLY	525.00	525.00	298.32	226.68
782.000 ROAD/STREET MATERIAL	1,575.00	1,575.00	451.73	1,123.27
802.000 CONTRACTUAL SERV.	1,300.00	1,300.00	150.00	1,150.00
803.000 DUES/MEMBERSHIPS	160.00	160.00	96.36	63.64
931.000 GENERAL REPAIRS	8,085.00	8,085.00	2,026.07	6,058.93
<b>Total System Maintenance - Sewer</b>	<b>23,870.00</b>	<b>23,870.00</b>	<b>6,677.87</b>	<b>17,192.13</b>



McBride, Manley  
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## CITY OF MARINE CITY

## SCHEDULE OF WATER AND SEWER FUND EXPENSES AND OTHER FINANCING USES

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance
<b>Plant Operations - Sewer</b>				
702.000 WAGES-FULL TIME	150,100.00	166,500.00	166,070.13	429.87
703.000 WAGES-PART TIME	1,600.00	600.00	459.15	140.85
703.100 LEAVE HOURS PAY	5,500.00	5,500.00	-394.77	5,894.77
708.000 LONGEVITY	825.00	825.00	825.00	0.00
715.000 FICA-EMPLOYER	12,100.00	13,375.00	12,802.54	572.46
716.000 HOSPITAL INSURANCE	18,700.00	20,410.00	18,814.46	1,595.54
717.000 LIFE INSURANCE	375.00	375.00	336.00	39.00
718.000 RETIREMENT	19,400.00	21,350.00	18,883.41	2,466.59
722.000 EMPLOYER RETIREE HLTH INS CONT	3,025.00	3,880.00	3,878.57	1.43
727.000 OFFICE SUPPLY	600.00	600.00	298.67	301.33
728.000 POSTAGE	315.00	315.00	104.10	210.90
730.000 PUBLICATIONS	80.00	80.00	0.00	80.00
740.000 GENERAL SUPPLY	1,800.00	1,800.00	612.73	1,187.27
741.000 FUEL	475.00	475.00	264.06	210.92
744.000 CLOTHING	1,800.00	1,800.00	1,039.16	760.84
748.000 LAB SUPPLY	4,900.00	4,900.00	3,788.50	1,111.50
754.000 TREATMENT SUPPLY	8,000.00	8,000.00	6,120.00	1,880.00
780.000 CUSTODIAL SUPPLY	200.00	200.00	140.65	59.35
781.000 EQUIPMENT MAINTENANCE	4,700.00	4,700.00	2,403.89	2,296.11
801.000 PROFESSIONAL SERV.	4,200.00	4,200.00	3,355.73	844.27
802.000 CONTRACTUAL SERV.	21,800.00	21,800.00	13,041.54	8,758.46
802.100 BIOSOLIDS REMOVAL	67,000.00	64,910.00	51,297.79	13,612.21
803.000 DUES/MEMBERSHIPS	125.00	125.00	43.50	81.50
805.000 SERVICE CHARGES	0.00	25.00	1.00	24.00
806.000 LANDFILL CHARGES	1,250.00	1,225.00	0.00	1,225.00
819.000 LAND APPL. & GENERATION FEE	12,600.00	12,600.00	1,491.73	11,108.27
822.000 PERMIT FEES	6,000.00	6,000.00	5,500.00	500.00
853.000 PHONE EXPENSE	4,630.00	4,630.00	2,320.24	2,309.76
863.000 VEHICLE MAINTENANCE	525.00	480.00	6.81	473.22
868.000 LODGING	0.00	145.00	143.00	2.00
869.000 MEALS	100.00	0.00	0.00	0.00
870.000 TRAVEL EXPENSE	100.00	100.00	93.45	6.55
921.000 ELECTRIC	46,300.00	46,300.00	38,976.74	7,323.26
923.000 NATURAL GAS	13,000.00	13,000.00	9,668.15	3,331.85
931.000 GENERAL REPAIRS	10,000.00	20,000.00	16,730.97	3,269.03
933.000 BUILDING REPAIR	3,100.00	2,135.00	200.00	1,935.00
959.000 TRAINING/TUITION	600.00	600.00	225.00	375.00
968.000 DEPRECIATION EXPENSE	0.00	0.00	429,662.00	-429,662.00
<b>Total Plant Operations - Sewer</b>	<b>425,825.00</b>	<b>453,960.00</b>	<b>809,203.90</b>	<b>-355,243.89</b>
<b>Pump/Lift Station - Sewer:</b>				
702.000 WAGES-FULL TIME	800.00	800.00	0.00	800.00
703.000 WAGES-PART TIME	300.00	300.00	100.35	199.65
715.000 FICA-EMPLOYER	100.00	100.00	7.60	92.40
718.000 RETIREMENT	100.00	100.00	0.00	100.00
722.000 EMPLOYER RETIREE HLTH INS CONT	25.00	25.00	0.00	25.00
740.000 GENERAL SUPPLY	500.00	500.00	98.77	401.23
781.000 EQUIPMENT MAINTENANCE	300.00	180.00	0.00	180.00
802.000 CONTRACTUAL SERV.	3,500.00	3,500.00	2,746.60	753.41
853.000 PHONE EXPENSE	675.00	675.00	656.56	18.44
921.000 ELECTRIC	7,200.00	7,320.00	7,315.54	4.46
923.000 NATURAL GAS	2,100.00	2,100.00	1,949.65	150.35
931.000 GENERAL REPAIRS	4,000.00	4,000.00	481.20	3,518.80
<b>Total Pump/Lift Station - Sewer</b>	<b>19,600.00</b>	<b>19,600.00</b>	<b>13,356.27</b>	<b>6,243.74</b>



McBride, Manley  
& Müller P.C.

**CITY OF MARINE CITY**  
**SCHEDULE OF WATER AND SEWER FUND EXPENSES AND OTHER FINANCING USES**  
**For the Year Ended June 30, 2007**

	Original Budget	Amended Budget	Actual	Variance
<b>General Administrative - Water:</b>				
702.000 WAGES-FULL TIME	47,725.00	48,825.00	48,817.80	7.20
703.000 WAGES-PART TIME	0.00	1,200.00	779.13	420.87
715.000 FICA-EMPLOYER	3,675.00	3,850.00	3,825.40	24.60
718.000 RETIREMENT	5,575.00	5,700.00	5,629.02	70.98
720.000 WORKERS COMP	9,000.00	10,500.00	10,400.67	99.33
722.000 EMPLOYER RETIREE HLTH INS CONT	975.00	1,000.00	909.62	90.38
727.000 OFFICE SUPPLY	900.00	900.00	576.66	323.36
728.000 POSTAGE	1,700.00	1,700.00	1,355.95	344.05
729.000 PRINTING	1,000.00	1,000.00	526.82	473.17
781.000 EQUIPMENT MAINTENANCE	550.00	350.00	241.75	108.19
801.000 PROFESSIONAL SERV.	4,500.00	4,500.00	4,499.00	1.00
802.000 CONTRACTUAL SERV.	2,000.00	2,000.00	1,373.00	627.00
853.000 PHONE EXPENSE	400.00	400.00	284.40	115.60
912.000 LIABILITY INSURANCE	9,000.00	9,950.00	9,945.27	4.73
943.000 EQUIPMENT LEASE	100.00	100.00	74.93	25.07
957.000 MISCELLANEOUS EXPENSE	50.00	50.00	0.00	50.00
995.000 INTEREST EXPENSE	85,125.00	85,125.00	80,758.87	4,366.13
999.000 CONTRIBUTION TO OTHER FUNDS	1,485.00	1,485.00	0.00	1,485.00
<b>Total Administrative - Water</b>	<b>173,760.00</b>	<b>178,635.00</b>	<b>169,998.29</b>	<b>8,636.66</b>
<b>System Maintenance - Water:</b>				
702.000 WAGES-FULL TIME	39,675.00	42,025.00	38,835.73	3,189.27
703.000 WAGES-PART TIME	500.00	0.00	0.00	0.00
715.000 FICA-EMPLOYER	3,085.00	3,235.00	2,939.22	295.78
718.000 RETIREMENT	4,625.00	4,900.00	4,520.39	379.61
722.000 EMPLOYER RETIREE HLTH INS CONT	795.00	845.00	776.92	68.08
727.000 OFFICE SUPPLY	0.00	200.00	197.00	3.00
728.000 POSTAGE	50.00	50.00	0.00	50.00
729.000 PRINTING	20.00	45.00	16.50	28.50
740.000 GENERAL SUPPLY	675.00	675.00	480.55	194.45
782.000 ROAD/STREET MATERIAL	4,000.00	3,700.00	1,819.82	1,880.18
802.000 CONTRACTUAL SERV.	1,000.00	1,300.00	1,281.96	18.04
803.000 DUES/MEMBERSHIPS	100.00	100.00	96.36	3.64
931.000 GENERAL REPAIRS	25,000.00	26,775.00	23,505.56	3,269.44
<b>Total System Maintenance - Water</b>	<b>79,525.00</b>	<b>83,850.00</b>	<b>74,470.01</b>	<b>9,379.99</b>



**CITY OF MARINE CITY**  
**SCHEDULE OF WATER AND SEWER FUND EXPENSES AND OTHER FINANCING USES**  
**For the Year Ended June 30, 2007**

	Original Budget	Amended Budget	Actual	Variance
<b><i>Plant Operations - Water</i></b>				
702.000 WAGES-FULL TIME	311,000.00	315,775.00	315,772.09	2.91
703.100 LEAVE HOURS PAY	10,000.00	4,000.00	3,649.74	350.26
708.000 LONGEVITY	2,950.00	2,950.00	2,950.00	0.00
715.000 FICA-EMPLOYER	24,800.00	25,125.00	24,391.83	733.17
716.000 HOSPITAL INSURANCE	67,100.00	76,280.00	71,203.66	5,076.34
717.000 LIFE INSURANCE	1,200.00	1,200.00	969.60	230.40
718.000 RETIREMENT	35,400.00	35,875.00	34,651.72	1,223.28
722.000 EMPLOYER RETIREE HLTH INS CONT	6,300.00	7,595.00	7,593.69	1.31
727.000 OFFICE SUPPLY	1,400.00	1,400.00	1,045.57	354.43
728.000 POSTAGE	150.00	150.00	55.41	94.59
740.000 GENERAL SUPPLY	1,000.00	2,000.00	1,556.26	443.74
741.000 FUEL	750.00	750.00	-104.05	854.05
744.000 CLOTHING	1,950.00	2,080.00	2,072.77	7.23
748.000 LAB SUPPLY	10,000.00	10,750.00	9,760.39	989.60
753.000 FURNISHING/HOUSEHOLD	0.00	500.00	0.00	500.00
754.000 TREATMENT SUPPLY	24,000.00	22,775.00	15,026.56	7,748.44
780.000 CUSTODIAL SUPPLY	400.00	550.00	497.02	52.98
781.000 EQUIPMENT MAINTENANCE	7,200.00	7,675.00	5,729.43	1,945.56
801.000 PROFESSIONAL SERV.	5,000.00	5,000.00	0.00	5,000.00
802.000 CONTRACTUAL SERV.	9,510.00	9,510.00	3,768.45	5,741.55
803.000 DUES/MEMBERSHIPS	500.00	720.00	720.00	0.00
807.000 REGISTRATION FEES	0.00	5.00	5.00	0.00
820.000 PUBLIC SUPPLY FEE	1,100.00	1,110.00	1,106.93	3.07
822.000 PERMIT FEES	250.00	250.00	150.00	100.00
853.000 PHONE EXPENSE	5,500.00	5,500.00	5,387.45	112.55
863.000 VEHICLE MAINTENANCE	1,000.00	1,000.00	181.00	819.00
868.000 LODGING	500.00	500.00	0.00	500.00
869.000 MEALS	200.00	200.00	4.56	195.44
870.000 TRAVEL EXPENSE	460.00	460.00	173.85	286.15
901.000 ADVERTISING	500.00	965.00	960.63	4.37
921.000 ELECTRIC	22,500.00	22,500.00	20,404.46	2,095.54
923.000 NATURAL GAS	8,000.00	8,000.00	6,205.88	1,794.12
933.000 BUILDING REPAIR	750.00	750.00	0.00	750.00
959.000 TRAINING/TUITION	800.00	800.00	649.50	150.50
968.000 DEPRECIATION EXPENSE	0.00	0.00	168,465.00	-168,465.00
<b><i>Total Plant Operations - Water</i></b>	<b>562,170.00</b>	<b>574,700.00</b>	<b>705,004.40</b>	<b>-130,304.42</b>
<b>TOTAL EXPENSES AND OTHER FINANCING USES</b>	<b>1,383,250.00</b>	<b>1,436,915.00</b>	<b>1,877,404.37</b>	<b>-440,489.48</b>

**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**  
June 30, 2007

***Water Supply and Sewage Disposal System Revenue Bonds - Series III:***

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10-2-81	\$ 628,000	5.00%	2008	\$ -	\$ 23,000	\$ 23,000
Principal due July 1			2009	10,000	22,500	32,500
Interest due July 1			2010	35,000	21,375	56,375
and January 1			2011	35,000	19,625	54,625
			2012	35,000	17,875	52,875
			2013	35,000	16,125	51,125
			2014	35,000	14,375	49,375
			2015	35,000	12,625	47,625
			2016	35,000	10,875	45,875
			2017	40,000	9,000	49,000
			2018	40,000	7,000	47,000
			2019	40,000	5,000	45,000
			2020	40,000	3,000	43,000
			2021	40,000	1,000	41,000
<b><i>Total Revenue Bonds</i></b>				<b><u>455,000</u></b>	<b><u>\$ 183,375</u></b>	<b><u>\$ 638,375</u></b>





**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**  
*(Continued)*

June 30, 2007

**Drinking Water Revolving Fund Bonds:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
9-29-98	\$ 1,155,000	2.50%	2008	\$ 55,000	\$ 18,875	\$ 73,875
Principal due April 1			2009	55,000	17,500	72,500
Interest due October 1 and April 1			2010	60,000	16,125	76,125
			2011	60,000	14,625	74,625
			2012	60,000	13,125	73,125
			2013	60,000	11,625	71,625
			2014	65,000	10,125	75,125
			2015	65,000	8,500	73,500
			2016	65,000	6,875	71,875
			2017	70,000	5,250	75,250
			2018	70,000	3,500	73,500
			2019	70,000	1,750	71,750
<b>Total Issue Outstanding</b>				<b>755,000</b>	<b>\$ 127,875</b>	<b>\$ 882,875</b>

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
12-23-05	\$ 2,500,000	2.125%	2008	\$ 105,000	\$ 42,975	\$ 147,975
Principal due April 1			2009	105,000	40,744	145,744
Interest due October 1 and April 1			2010	110,000	38,513	148,513
			2011	110,000	36,175	146,175
			2012	115,000	33,838	148,838
			2013	115,000	31,394	146,394
			2014	115,000	28,950	143,950
			2015	120,000	26,506	146,506
			2016	125,000	23,956	148,956
			2017	125,000	21,300	146,300
			2018	130,000	18,644	148,644
			2019	130,000	15,881	145,881
			2020	135,000	13,119	148,119
			2021	135,000	10,250	145,250
			2022	140,000	7,381	147,381
			2023	140,000	4,406	144,406
			2024	145,000	1,431	146,431
			2025	150,000	-	150,000
			2026	150,000	-	150,000
<b>Total Issue Outstanding</b>				<b>2,400,000</b>	<b>\$ 395,463</b>	<b>\$ 2,795,463</b>

**Total Water and Sewer Fund  
Bonded Indebtedness**

**3,610,000**



**CITY OF MARINE CITY****SCHEDULE OF INDEBTEDNESS**  
*(Continued)*

June 30, 2007

**Special Assessment Bonds - 1981:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
10-2-81	\$ 167,000	5.00%	2008	\$ 4,000	\$ 3,550	\$ 7,550
Principal due September 1			2009	4,000	3,350	7,350
Interest due September 1			2010	4,000	3,150	7,150
and March 1			2011	5,000	2,925	7,925
			2012	5,000	2,675	7,675
			2013	5,000	2,425	7,425
			2014	5,000	2,175	7,175
			2015	5,000	1,925	6,925
			2016	6,000	1,650	7,650
			2017	6,000	1,350	7,350
			2018	6,000	1,050	7,050
			2019	6,000	751	6,751
			2020	6,000	450	6,450
			2021	6,000	150	6,150
<b>Total Special Assessment Bonded Indebtedness</b>				<b>73,000</b>	<b>\$ 27,576</b>	<b>\$ 100,576</b>



# CITY OF MARINE CITY

## SCHEDULE OF INDEBTEDNESS (Continued)

June 30, 2007

### 1991 General Obligation Unlimited Tax Bonds - Series A:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
6-27-91	\$ 9,010,000	2.00%	2008	\$ 470,000	\$ 59,300	\$ 529,300
Principal due April 1			2009	480,000	49,900	529,900
Interest due April 1 and October 1			2010	490,000	40,300	530,300
			2011	500,000	30,500	530,500
			2012	510,000	20,500	530,500
			2013	515,000	10,300	525,300
<b>Total Issue Outstanding</b>				<b>2,965,000</b>	<b>\$ 210,800</b>	<b>\$ 3,175,800</b>

### 1992 General Obligation Unlimited Tax Bonds - Series C:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
9-24-92	\$ 760,000	2.00%	2008	\$ 20,000	\$ 2,300	\$ 22,300
Principal due April 1			2009	25,000	1,900	26,900
Interest due April 1 and October 1			2010	25,000	1,400	26,400
			2011	25,000	900	25,900
			2012	20,000	400	20,400
<b>Total Issue Outstanding</b>				<b>115,000</b>	<b>\$ 6,900</b>	<b>\$ 121,900</b>

### 1992 Limited Tax General Obligation Wastewater Treatment System Bonds:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
9-24-92	\$ 645,000	2.00%	2008	\$ 20,000	\$ 1,600	\$ 21,600
Principal due April 1			2009	20,000	1,200	21,200
Interest due April 1 and October 1			2010	20,000	800	20,800
			2011	20,000	400	20,400
<b>Total Issue Outstanding</b>				<b>80,000</b>	<b>\$ 4,000</b>	<b>\$ 84,000</b>

**Total Governmental Funds  
Bonded Indebtedness**

**3,160,000**



**CITY OF MARINE CITY**

**SCHEDULE OF INDEBTEDNESS**

*(Continued)*

June 30, 2007

**Xerox Leases:**

<u>Collateral</u>	<u>Monthly Payment</u>	<u>Payments Remaining</u>	<u>Total Payments</u>
Xerox Copier	\$ 206.19	10	\$ 2,062

**Building Lease:**

<u>Collateral</u>	<u>Monthly Payment</u>	<u>Payments Remaining</u>	<u>Total Payments</u>
Building	\$ 2,300	3	\$ 6,900

**Fire Truck Capitalized Leases:**

<u>Date of Lease</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9-14-98	\$ 275,975	6.61%	2008	\$ -	\$ -	\$ -
Annual payments due each			2009	27,172	6,848	34,020
July 1 in the amount of			2010	28,743	5,278	34,021
\$34,020			2011	30,404	3,616	34,020
			2012	32,161	1,859	34,020
				<u>118,480</u>	<u>\$ 17,601</u>	<u>\$ 136,081</u>

<u>Date of Lease</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
4-23-07	\$ 144,999	5.63%	2008	\$ 17,470	\$ 8,164	\$ 25,634
Annual payments due each			2009	18,454	7,180	25,634
Apr 1 in the amount of			2010	19,493	6,141	25,634
\$25,634			2011	20,590	5,044	25,634
			2012	21,750	3,884	25,634
			2013	22,974	2,660	25,634
			2014	24,268	1,366	25,634
				<u>(79,799)</u>	<u>-</u>	<u>(79,799)</u>
Amounts contractually obligated to draw @ 6/30/07				<u>\$ 65,200</u>	<u>\$ 34,439</u>	<u>\$ 99,639</u>

**Backhoe Loader Capitalized Lease:**

<u>Date of Lease</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
7-10-04	\$ 73,214	4.8%	2008	\$ 14,611	\$ 2,207	\$ 16,818
Annual payments due each			2009	15,312	1,505	16,817
July 10 in the amount of			2010	16,047	770	16,817
\$16,817				<u>45,970</u>	<u>\$ 4,482</u>	<u>\$ 50,452</u>

**Police Car Capitalized Lease:**

<u>Date of Lease</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5-10-06	\$ 15,591	11.3%	2008	\$ -	\$ -	\$ -
Annual payments due each			2009	5,258	1,152	6,410
July 1 in the amount of			2010	5,805	604	6,409
\$6,410				<u>11,063</u>	<u>\$ 1,756</u>	<u>\$ 12,819</u>
<b>Total Leases</b>				<b>249,675</b>		

**TOTAL INDEBTEDNESS**

**\$ 7,092,675**



**CITY OF MARINE CITY**  
**COMPONENT UNITS**  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2007

***Tax Increment Bonds, Series 2001:***

Date of Issue	Amount	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
5-1-01	\$ 425,000	4.20%	2008	\$ 20,000	\$ 14,630	\$ 34,630
Principal due October 1		4.30	2009	20,000	13,780	33,780
Interest due October 1		4.40	2010	20,000	12,910	32,910
and April 1		4.50	2011	25,000	11,908	36,908
		4.60	2012	25,000	10,770	35,770
		4.70	2013	25,000	9,608	34,608
		4.80	2014	25,000	8,420	33,420
		4.90	2015	30,000	7,085	37,085
		5.00	2016	30,000	5,600	35,600
		5.00	2017	30,000	4,100	34,100
		5.10	2018	30,000	2,585	32,585
		5.20	2019	35,000	910	35,910
<b><i>Total Component Unit Indebtedness</i></b>				<b>\$ 315,000</b>	<b>\$ 102,306</b>	<b>\$ 417,306</b>





# McBride, Manley & Miiller P.C.

Certified Public Accountants

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Chesterfield, MI (586) 598-4600

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 22, 2007

To the City Council  
City of Marine City  
303 S. Water Street  
Marine City, MI 48039

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marine City as of and for the year ended June 30, 2007, which collectively comprise the City of Marine City's basic financial statements and have issued our report thereon dated October 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Marine City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Marine City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Marine City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Marine City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Marine City's financial statements that is more than inconsequential will not be prevented or detected by the City of Marine City's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

#### *Deficiency:*

The City is not making certain adjustments to its Water and Sewer enterprise fund required in order for its financial reporting to comply with generally accepted accounting principles. The current policy of the City is to treat principal payments on debts and acquisition of capital assets as expenses, and depreciation is not recorded until the completion of the City's audit. This accounting presentation has been adopted for ease of budgeting and to present Council and management with a tool for managing the cash needs of this fund. The City has relied on its auditors to propose the necessary entries to conform this fund to generally accepted accounting principles. This departure from generally accepted accounting principles could represent a material misstatement as defined by Statement on Auditing Standards 112.

*Management's Response:*

The City's internal reporting of its enterprise fund is consistent with the methods used for its other funds. It provides management and the Council with the data necessary to manage the financial affairs of this fund. Management does not currently believe that there would be any cost benefit to the City to incur the time and related expense to convert these statements to a full accrual basis on a regular basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Marine City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

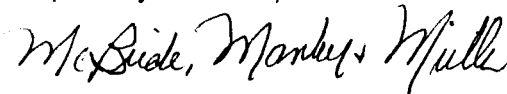
As part of obtaining reasonable assurance about whether City of Marine City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

We noted certain matters that we reported to management of City of Marine City, in a separate letter dated October 22, 2007.

The City of Marine City's response to the findings identified in our audit follows the deficiency noted above. We did not audit City of Marine City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants





# McBride, Manley & Miiller P.C.

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

October 22, 2007

Honorable Mayor and City Council  
City of Marine City  
Marine City, Michigan 48039

Honorable Members:

We have examined the financial statements of the City of Marine City for the year ended June 30, 2007, and have issued our report thereon dated October 22, 2007. Our examination included a study and evaluation of internal control to the extent we considered necessary in order to establish a basis for reliance on the accounting records. As a result of our examination, we offer the following comments and recommendations.

## FRAUD PREVENTION

Our review of the City's policies and procedures with regards to fraud prevention indicates a need for a formal policy regarding computer system access and passwords, and other prevention matters. This policy should be clearly communicated to all employees. It should indicate that employees should not share password information, and who is to maintain a master password file. The City should also consider a periodic password change policy.

## CEMETERY TRUST

The City should consider a standing resolution to transfer annual interest revenue from the Cemetery Trust Fund to the Cemetery Fund.

## PURCHASES

During our audit, we discovered instances where a bidding procedure was waived after the purchases have been made. If a bidding procedure is to be waived by Council, it must be done before the purchase is made or the liability is incurred.

## BOARD MINUTES

Board minutes should be more complete in instances where financial related approvals are made. For example, for the November 16, 2006, meeting, the minutes indicated that there was an 06/07 wage stipend for non-union employees, but no details were given. Minutes should be in sufficient detail to allow a reader to verify that transactions conform to the transaction as approved by the Council.



## WATER AND SEWER DEFICITS

For the year ended June 30, 2007, the Water and Sewer Fund incurred an excess of cash outflows over inflows of approximately \$290,000. This cash flow deficit was due primarily to a shortfall of \$328,000 in revenues from the amount originally budgeted. This was the result of a reduction in usage by the City's residents and other customers.

The June 30, 2008, budget covers the shortfall for that fiscal year with transfers from other funds of \$245,000. While this solution is economically viable, it could possibly have the unintended effect of providing a City funded subsidy to the City's non-resident users.

## RETIREE HEALTH CARE

In the past, we have urged the City to adopt a retiree health care ordinance to clarify various ambiguities in the various contracts covering the grant of this benefit to the City's employees. The current contracts do not cover many of the potential issues that may arise regarding the City's obligations in this matter. In 2005, the City retained an attorney, Ms. Cynthia Billings to assist in this process. A proposed ordinance document was created, but the City has not, as of yet, adopted or followed up on this ordinance. The City should reactivate this process and adopt an ordinance that clarifies its obligations to its employees and retirees.

## CONCLUSION

As in the past several years, the City should be commended on the accuracy and completeness of its accounting systems, procedures, and financial reporting.

We would like to thank the City Manager, Treasurer, Clerk, and other City personnel for the cooperation and courtesies extended to us during our audit.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants

